

2011

Annual Report

**Promoting safe workplaces
Protecting Island workers and employers**

Workers Compensation Board of Prince Edward Island



Safety

Matters @Work

Workers Compensation Board of PEI

www.wcb.pe.ca

Letter of Transmittal



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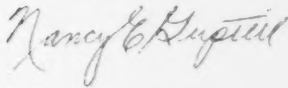
April 30, 2012

Hon. Janice Sherry
Minister of Environment, Labour and Justice
Fourth Floor, Shaw Building South
95 Rochford Street
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Minister Sherry,

In accordance with Section 34 of the *Workers Compensation Act*, the Board is pleased to provide its Annual Report for the year ending December 31, 2011.

Respectfully submitted,



Nancy Guptill
Workers Compensation Board Chair

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Report to Stakeholders



About Us



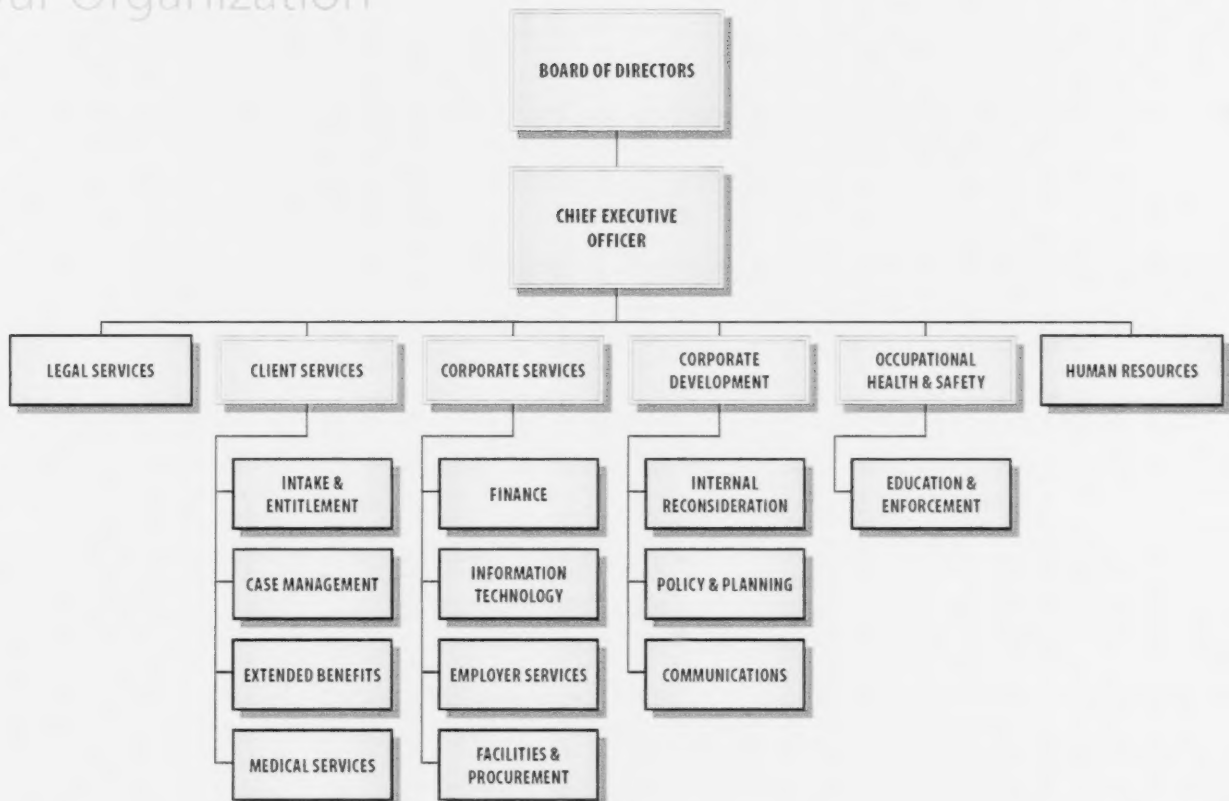
Our Mission

The Workers Compensation Board exists to promote safe workplaces and to protect employers and injured workers through a sustainable accident insurance program.

Our Values

- We treat people with fairness, care and respect
- We communicate in an open and honest manner
- We are accountable to the public and our stakeholders
- We believe in teamwork and are committed to continually improving our services
- We foster trust
- We act with integrity and professionalism

Our Organization



Our Board of Directors



The Workers Compensation Board (WCB) Board of Directors: (top from left) Margaret Stewart, Dianne Collins, Sandy MacKay, Stuart Affleck, Harvey Larkin, (bottom) Charlene McInnis, Mike Annear, Nancy Guptill, Angus Houston.

Chair

Nancy Guptill has been Chair of the Workers Compensation Board since 2007. She has made many contributions to Prince Edward Island as a former MLA and Cabinet Minister. Ms. Guptill was responsible for the *Workers Compensation Act* as the Minister of Labour and the Status of Women. She also served as the Minister of Tourism, was responsible for human rights in the province, and was the speaker of the legislative assembly.

Worker Representatives

Dianne Collins joined the Board of Directors in 2011 as a Worker Representative. She is a graduate of the Charlottetown Hospital School of Nursing and worked for over 30 years at Kings County Memorial Hospital. Throughout her career, Ms. Collins has been dedicated to improving health and safety for Islanders, serving on the KCMH Occupational Health and Safety Committee and the PEI Health Governance Advisory Council.

Sandy MacKay has been a Worker Representative on the Board of Directors since 2004. He is a past President of both the PEI Union of Public Sector Employees and the Federation of Labour. Mr. MacKay was a member of the task force that developed the first Occupational Health and Safety Act for PEI and has served on two Ministerial advisory committees that recommended changes to the *Workers Compensation Act*.

Charlene McInnis has been a Worker Representative on the Board of Directors since 2004. Injured on the job in 1999, she started working with Injured Workers groups and became the Injured Workers Organizational Committee Spokesperson in 2002. She is currently employed as the PEI Military Family Services Coordinator and now works for and with military families living on PEI and advocacy groups for Canadian Forces members injured in the line of duty.

Margaret Stewart has represented workers on the WCB Board of Directors since 2005. As a high school English teacher, then teacher-librarian, she was extensively involved in extra-curricular activities at the school, district, and provincial levels. From 2001-2003 she spoke for teachers provincially and nationally as president of the PEI Teachers' Federation and as a Canadian Teachers' Federation director.

Employer Representatives

Stuart Affleck has been an Employer Representative on the Board of Directors since 2008. He was a farm owner and operator for thirty eight years and has held many positions through organizations such as the PEI Potato Board, East Prince Regional Health Board, PEI Unit 2 Regional School Board and the PEI Provincial Family Farm Appeals Board.

Mike Annear has been an Employer Representative and Vice-Chair of the Board of Directors since 2008. He was a member of the Legislative Review Committee for the *Workers Compensation Act* in 2007 and served on the Board of Directors for the PEI Road Building and Heavy Equipment Association. For over fifteen years, Mr. Annear has coordinated safety training and programming for Kings County Construction Ltd.

Angus Houston has been an Employer Representative of the Board of Directors since 2008. He has over thirty years experience as an employer on PEI working in a number of capacities in both the health and hospitality industries. In addition to owning and co-owning restaurants in both Montague and Charlottetown, Mr. Houston has served on numerous community boards and committees.

Harvey Larkin has been an Employer Representative of the Board of Directors since 2006. He is an employer in the hospitality industry with annual employment of 20-25 and is a farm co-owner and operator in the turkey growing business. Mr. Larkin has also served as a board member on various community organizations.



A Message from the Chair and the CEO

As Chair and outgoing Chief Executive Officer, and on behalf of the Workers Compensation Board (WCB) and staff, we are pleased to present our 2011 Annual Report to our stakeholders. The report describes our accomplishments over the past year and it confirms our commitment to continuous service improvement in the promotion of safe workplaces and the protection of Island workers and employers.

The best protection from workplace injury is prevention, which is why the Workers Compensation Board strives to bring safety matters to the forefront. As all Islanders were made aware from the high-profile accidents that occurred in 2011, workplace safety is of critical importance to us all. Throughout 2011, the WCB focused on education initiatives, which included industry and government partnerships, to create new inroads to support workplace safety. We are pleased to report that in 2011, there was a significant reduction in the number of occupational health and safety violation orders in Island workplaces, which is an indicator of overall improvements to safety programs.

Message du président et de la directrice générale

En tant que présidente et directrice générale sortante, et au nom de la Commission des accidents du travail et de ses employés, nous sommes heureuses de présenter le rapport annuel de 2011 à nos intervenants. Le rapport présente nos réalisations de la dernière année et confirme notre engagement à l'amélioration continue des services dans la promotion des milieux de travail sécuritaires ainsi que la protection des travailleurs et des employeurs de l'Île.

La meilleure protection contre les blessures au travail reste la prévention, d'où la nécessité pour la Commission des accidents du travail de s'efforcer à mettre les questions relatives à la sécurité en évidence. Comme tous les Islanders, nous avons été sensibilisés au fait que la sécurité au travail revêt une importance primordiale pour nous tous, grâce aux accidents fortement médiatisés qui se sont produits en 2011. Tout au long de 2011, la Commission s'est penchée sur des initiatives en matière d'éducation, y compris des partenariats avec l'industrie et avec le gouvernement, afin de créer de nouvelles percées pour appuyer la sécurité au travail. Nous sommes heureuses de signaler qu'en 2011, il y a eu une baisse considérable du nombre d'infractions en matière de santé et sécurité au travail dans les milieux de travail de l'Île, ce qui est révélateur de l'amélioration générale des programmes de sécurité.

S'il se produit une blessure au travail, la Commission doit aider les travailleurs et leurs employeurs à élaborer un plan pour le retour au travail en temps opportun et en toute sécurité. En 2011, des améliorations au niveau de la promotion des programmes de retour au travail ont été mises en œuvre à l'aide d'un modèle logique pour la gestion des demandes concernant les blessures aux tissus mous. Cette initiative renseigne les travailleurs blessés et leurs employeurs sur leurs conditions ainsi que sur le processus de rétablissement, et est basée sur le principe que les meilleurs résultats sont atteints à l'aide des connaissances et de l'autonomisation. Grâce au modèle de service intégré de notre « Focused Employer Initiative », nous continuons également de travailler de près avec les employeurs dont le rendement est sujet à amélioration.

If a workplace injury occurs, the WCB's focus is on assisting workers and their employers in developing a plan to return to work in the most safe and timely manner possible. In 2011, enhancements in the promotion of return to work programs were implemented using a logic model for soft tissue injury management. This initiative educates injured workers, and their employers, about their conditions and the recovery process, and is based on the principle that the best outcomes are achieved through knowledge and empowerment. Using the integrated service model of our Focused Employer Initiative, we also continued to work closely with employers whose safety performance indicated areas for improvement.

At the WCB, continuous service improvement means enhancing the experience of our stakeholders when working with us. To that end, this past year marked the implementation of a multi-year Online Services project, with the first phase of services designed for employers who prefer the convenience of conducting business electronically. To make it easier for our stakeholders to find WCB policy information, we reorganized our policy structure. In 2011, we also revised our Physician's Report form to increase its utility and ease of use, which results in improved efficiencies in claims processing for our injured workers.

In order to deliver quality services to our stakeholders, we must ensure that our team members have the support, the tools and the training to do their jobs well. In 2011 we redesigned our employee opinion survey to continue to measure satisfaction while identifying focused areas for improvement in internal communication processes. Effective communications contribute to a positive workplace culture and an informed staff team, which in turn has a positive impact on service delivery.

Stakeholder feedback continued to be a critical factor in our course of action throughout 2011. Feedback can validate our service delivery approach, as evidenced by the 77.1% satisfaction rate from Island employers in the 2011 stakeholder survey. The survey also confirmed that our efforts to educate employers about the changes in our classification system were successful, with the majority agreeing that it more fairly aligns costs with the risk of workplace injuries.

It is the feedback that helps us identify areas in which we can improve, however, that is the most valuable. For example, Island employers also told us that our assessment rate cap during the transition to the new classification system was a financial hardship for some employers. We responded by lowering the cap to ensure employers have sufficient time to absorb costs and to improve their safety performance going forward. In 2011, after hearing from

À la Commission, l'amélioration continue des services signifie enrichir l'expérience de nos intervenants lorsqu'ils font affaire avec nous. Au cours de la dernière année, nous avons mis en œuvre un projet pluriannuel de services en ligne, la première phase de services visant les employeurs qui préfèrent la commodité de mener leurs opérations par voie électronique. Afin de permettre à nos intervenants de trouver plus facilement des renseignements sur les politiques de la Commission, nous avons réorganisé notre cadre de réglementation. En 2011, nous avons également révisé notre formulaire de rapport médical pour en accroître l'utilité et la facilité d'utilisation, ce qui a permis d'améliorer l'efficacité du traitement des demandes de nos travailleurs blessés.

Afin de livrer des services de qualité à nos intervenants, nous devons nous assurer que les membres de notre équipe ont l'appui, les outils et la formation nécessaires pour bien faire leur travail. En 2011, nous avons restructuré notre sondage d'opinion auprès des employés afin de continuer de mesurer le degré de satisfaction, tout en identifiant des secteurs spécifiques à améliorer en termes de processus de communication interne. Les communications efficaces contribuent à une culture positive en milieu de travail ainsi qu'à un personnel informé, ce qui a un effet positif sur la prestation de services.

Les commentaires formulés par les intervenants ont été essentiels à notre plan d'action tout au long de 2011. La rétroaction peut valider notre approche de prestation de services, comme en témoigne le taux de satisfaction de 77,1 % des employeurs de l'Île dans le sondage auprès des intervenants de 2011. Le sondage a également confirmé que les efforts que nous avons déployés pour éduquer les employeurs par rapport aux changements apportés à notre système de classification ont été fructueux. La majorité des gens sont d'accord que le système aligne plus justement les coûts avec les risques de blessures au travail.

Toutefois, c'est la rétroaction nous aidant à identifier les secteurs à améliorer qui est la plus utile. Par exemple, les employeurs de l'Île nous ont indiqué que notre plafond tarifaire applicable au processus d'évaluation durant la transition au nouveau système de classification aurait causé des difficultés financières à certains employeurs. Nous avons réagi à la situation en réduisant le plafond afin de nous assurer que les employeurs aient suffisamment de temps pour absorber les coûts et améliorer leur rendement en matière de sécurité à l'avenir. En 2011, après avoir entendu les témoignages de nos travailleurs blessés, nous avons mis plusieurs initiatives en place dans le but d'améliorer nos services, notamment l'amélioration de nos processus de prise de décision et de communication en matière de réclamations.

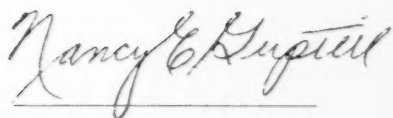
our injured workers, we put several initiatives in place to enhance our services, including improvements to our claim communications and our decision-making processes.

The strength of an organization can be measured in many ways. In 2011, the temporary postal service disruption was a test of the Workers Compensation Board's ability to respond to crises and continue to provide vital services to our clients. We are pleased to report that our organization met this challenge, reducing the impact of the disruption by ensuring that our injured workers continued to receive temporary disability benefits. We are also proud to have ranked first in a national study of Workers Compensation Boards by the Canadian Federation of Independent Businesses, and we are using the results of their study to further improve our services.

Our stable financial position in 2011 was a contributing factor in our ability to implement service improvements. Our funding status in 2011 remained consistent; we continued to be fully funded, and despite rising system costs, the average assessment rate for Island employers was reduced from \$2.15 to \$2.05.

A fresh perspective can be invaluable in organizational improvement. A change in outlook can challenge our assumptions, which in turn can serve to bolster the relevance of our programs and services. This is particularly important in times of organizational success, so that we continue to push ourselves to exceed stakeholder expectations. We welcome this new perspective in our new Chief Executive Officer, Sharon Cameron, whose experience and energy will take the Workers Compensation Board in new directions to further our role in workplace safety and compensation.

On behalf of the entire Board and staff of the Workers Compensation Board, we renew our commitment to you, our stakeholders, to strive for service excellence. We thank you for another successful year and look forward to our ongoing collaboration to support and promote safety matters at work.



Nancy Guphill
Chair
Président

La force d'un organisme peut être mesurée de diverses façons. En 2011, l'interruption temporaire du service postal a mis à l'épreuve la capacité d'intervention de la Commission des accidents du travail en cas de crise et sa capacité de continuer à fournir des services essentiels à ses clients. Nous sommes heureuses de rapporter que notre organisme a su relever ce défi, réduisant ainsi l'impact de l'interruption, en veillant à ce que nos travailleurs blessés continuent de recevoir des prestations d'invalidité temporaire. En outre, nous sommes fières que la Commission se soit classée au premier rang dans une étude nationale des commissions des accidents du travail menée par la Fédération canadienne de l'entreprise indépendante, et nous utilisons les résultats de cette étude pour améliorer davantage nos services.

Notre situation financière stable en 2011 nous a aidés à mettre en œuvre des améliorations aux services. Notre statut de financement s'est maintenu en 2011; la Commission continue d'être complètement financée, et malgré l'augmentation des coûts du système, nous avons été en mesure de réduire le taux moyen d'évaluation pour les employeurs de l'Île, le faisant passer de 2,15 \$ à 2,05 \$.

Une nouvelle perspective peut être d'une grande utilité à l'amélioration organisationnelle. Un changement de perspective peut remettre en question nos hypothèses, ce qui peut renforcer la pertinence de nos programmes et services. Cela s'avère particulièrement important en période de succès d'un organisme, afin de lui permettre de continuer à s'efforcer de dépasser les attentes des intervenants. Nous accueillons favorablement cette nouvelle perspective qu'apporte notre nouvelle directrice générale, Sharon Cameron, dont l'expérience et l'énergie donnera à la Commission des accidents du travail une nouvelle orientation. Cette nouvelle orientation permettra à la Commission d'approfondir son rôle en matière de sécurité et d'indemnisation au travail.

Au nom de tous les membres du conseil d'administration et du personnel de la Commission des accidents du travail, nous renouvelons notre engagement envers nos intervenants en ce qui concerne l'atteinte de l'excellence du service. Nous vous remercions pour une autre année réussie, et nous nous réjouissons de notre collaboration constante en vue d'appuyer et de promouvoir les questions relatives à la sécurité au travail.



Carol Anne Duffy
Chief Executive Officer, 1999-2011
Directrice générale, 1999-2011



A Message from the incoming CEO

It is an honour to be able to serve as the Chief Executive Officer of the Workers Compensation Board (WCB), an organization that provides a fundamental service to Prince Edward Islanders. At the WCB, we have the privilege and the responsibility to do all that we can to promote safety in the workplace, and to ensure that Island workers and employers are protected by an efficient and comprehensive compensation system.

I am particularly pleased to join the WCB team during a period of organizational stability and sustainability, which is due in no small part to the efforts of my predecessor, Carol Anne Duffy. On behalf of our Board and our staff, I would like to thank Carol Anne for her years of service and for the great strides she made for the Workers Compensation Board and for safety matters on our Island. The WCB's solid foundation allows us to focus our efforts where they can have the most impact – to work with our stakeholders to reduce the frequency and impact of workplace injury through prevention and return to work initiatives.

The year ahead is one of transition, in which stakeholder consultation, good governance, effective communication and service integration will be of paramount importance. As we embark on our legislative review and the next strategic planning cycle, the WCB will undergo a revitalization and reaffirmation of the principles and values that underpin our organization and the services we provide. I look forward to the challenges that the WCB team will face together with our stakeholders in furthering a culture of workplace safety on Prince Edward Island.

To me, our work together is analogous to a long-anticipated drive, with its exciting vantage point through our windshield to the many possibilities ahead. To get where we are going, however, we must always be aware of the road and everything that is happening around us. And every once in a while, we must check our rear view mirror, to see how far we have come and what we can learn from all that has passed.

Message du nouveau directrice générale

C'est un grand honneur de pouvoir exercer les fonctions de directrice générale de la Commission des accidents du travail, un organisme qui offre un service essentiel aux Insulaires. À la Commission, nous avons le privilège et la responsabilité de faire tout ce que nous pouvons pour promouvoir la sécurité au travail et pour assurer que les travailleurs et les employeurs de l'Île sont protégés par un système d'indemnisation efficace et complet.

Je suis particulièrement contente de me joindre à l'équipe de la Commission durant une période de stabilité et de durabilité organisationnelles, qui est attribuable en grande partie aux efforts déployés par mon prédécesseur, Carol Anne Duffy. Au nom des employés et des membres du conseil d'administration, j'aimerais remercier Carol Anne pour ses années de service et pour les grands progrès qu'elle a faits pour la Commission des accidents du travail et pour les questions relatives à la sécurité à l'Île. La base solide de la Commission nous permet de concentrer nos efforts là où ils ont le plus d'impact – nous pouvons donc travailler avec nos intervenants afin de réduire la fréquence et les incidences des blessures au travail par la prévention et les initiatives de retour au travail.

La nouvelle année en sera une de transition, au cours de laquelle la consultation des intervenants, la bonne gouvernance, la communication efficace et l'intégration des services revêtiront une importance primordiale. Alors que nous nous apprêtons à entamer notre examen législatif et le prochain cycle de planification stratégique, la Commission subira une revitalisation et réaffirmera les principes et les valeurs qui sous-tendent notre organisme et les services que nous offrons. J'ai hâte de relever les défis qui nous attendent, de concert avec nos intervenants, afin de renforcer une culture de sécurité au travail à l'Île-du-Prince-Édouard.

Pour moi, notre collaboration est comparable à une promenade en voiture attendue depuis longtemps, parsemée de perspectives intéressantes. En regardant à travers le pare-brise, il nous est possible d'observer les nombreuses possibilités qui nous attendent. Cependant, pour arriver à destination, nous devons toujours être conscients de la route et de tout ce qui se passe autour de nous. Et de temps en temps, nous devons jeter un coup d'œil dans le rétroviseur, afin de voir le chemin parcouru et les leçons que nous pouvons tirer des événements qui se sont produits.

Sharon Cameron
Incoming Chief Executive Officer
Nouveau directrice générale

Strategic Plan

Our Plan, Our Results

The Strategic Plan (2007-2012) reflects the mission and values of the Workers Compensation Board (WCB) and focuses on five strategic themes.

Within each theme, key result areas guide specific goals, actions and measures of success. Our results are highlighted for stakeholders by key result area.



Strategic Theme: *Sharing Prevention Responsibilities*



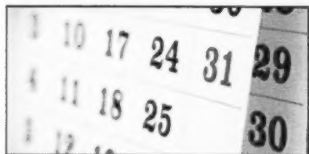
Strategic Theme: *Improving Worker Outcomes*



Strategic Theme: *Meeting Service Expectations*



Strategic Theme: *Promoting Strength Within*



Strategic Theme: *Securing the Future*



Strategic Theme: *Sharing Prevention Responsibilities*

Key Result Area: Injury Prevention

The Workers Compensation Board recognizes that prevention is the most effective way to minimize the overall emotional, physical, and financial burden of workplace injuries. An effective injury prevention program depends on workers, employers and the Workers Compensation Board each understanding their role in making Prince Edward Island a safe place to work.

Measures of Success:

- Workers and employers perceive their injury prevention education needs are being met.
- The mandate of the Workers Compensation Board for injury prevention education is endorsed by workers and employers.
- A strategy for reducing recurring workplace injuries has been implemented.
- Incidents of recurring workplace injuries are being monitored.
- Workers and employers in high injury sectors recognize the value of the internal responsibility model for improving outcomes.

Course of Action:

The internal responsibility model for injury prevention emphasizes that everyone in the workplace is responsible for safety. Throughout 2011, the Workers Compensation Board worked collaboratively with employers, workers, safety professionals, teachers, students and the public to build understanding and to take action on safety matters at work.

Our course of action included a continual assessment of the safety needs of Island workers and employers for the development and implementation of effective education initiatives in areas where they are needed the most.

Results Summary:

Completed as of December 2011:

- ✓ Continued with the Focused Employer Initiative, which provides employer education on ways to reduce rates, improve injury prevention and achieve optimal return to work outcomes, for employers who were identified through rate outcomes and Occupational Health and Safety inspection model
- ✓ Delivered public and workplace-specific health and safety workshops across the Island
- ✓ Analyzed the training component of the Fall Protection Regulations and identified opportunities to improve compliance
- ✓ Collaborated with the Department of Education and Early Childhood Development on safety resources for cooperative teachers and students
- ✓ Implemented a progressive education and enforcement focus for Occupational Health and Safety Officers to assist Island workplaces with safety improvements
- ✓ Partnered with the Federation of Agriculture to develop hazard and risk assessment workshops for farmers
- ✓ Consulted with the Department of Agriculture and Forestry to work with the forestry industry on prevention initiatives
- ✓ Raised awareness and promoted safe work practices through the Guide to Workplace Safety for Residential Construction Sites
- ✓ Developed an awareness campaign which integrated radio, online and print media to bring safety directly into the workplace

Key Statistics: Injury Prevention

Number of Adjudicated Claims

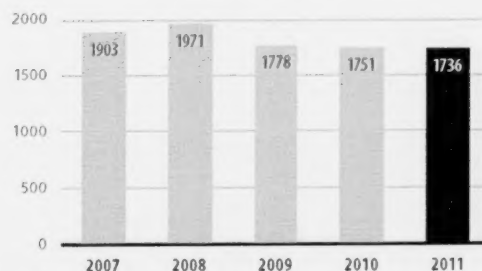
Total Adjudicated Claims: Total number of claims awarded for entitlement to benefits.

Temporary Wage Loss: Claims received for loss of wages as a result of a work place injury, considered as a temporary injury to a worker.

Medical Aid Only: Claims received for entitlement to a workplace injury or workers' compensation health care benefits, considered as a temporary injury to a worker.

Fatalities: Claims received for entitlement to a workplace fatality.

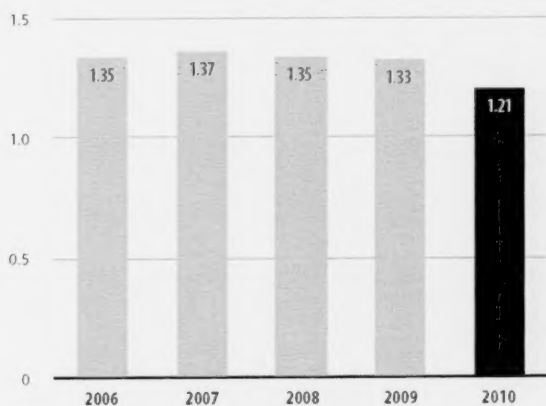
Denied: Claims received for entitlement to a workplace injury or workers' compensation health care benefits, considered as a temporary injury to a worker.



Total Adjudicated Claims
Temporary Wage Loss
Medical Aid Only
Fatalities
Denied

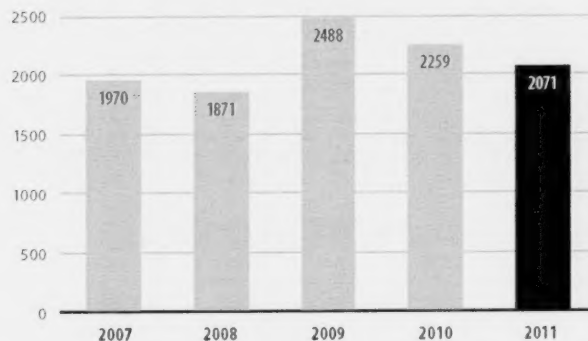
1903	1971	1778	1751	1736
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122	122	122	122	122
122	122	122	122	122
122	122	122	122	122

Injury Frequency (per 100 FTE's)

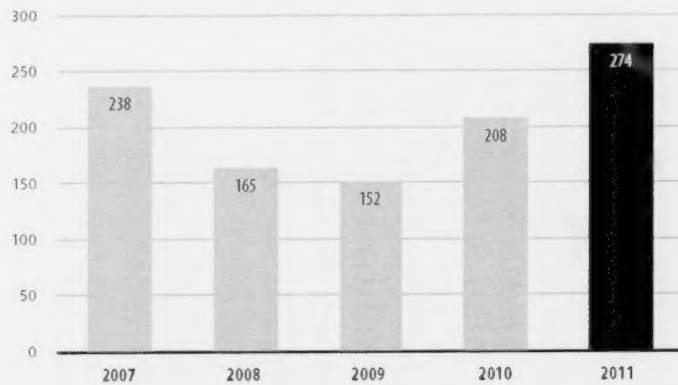


Injury Frequency: Injury frequency is calculated by dividing the number of claims for workplace injury or workers' compensation health care benefits by the number of full-time employees (FTE) in the workplace.

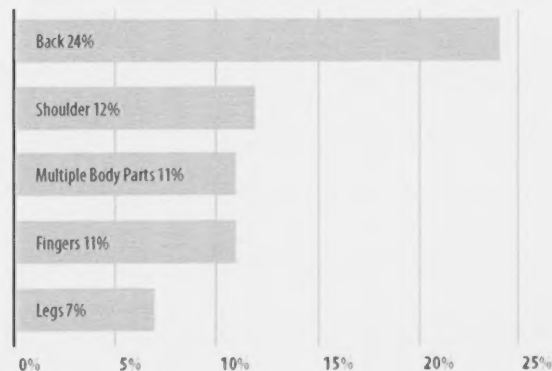
Workplace Health and Safety Inspections



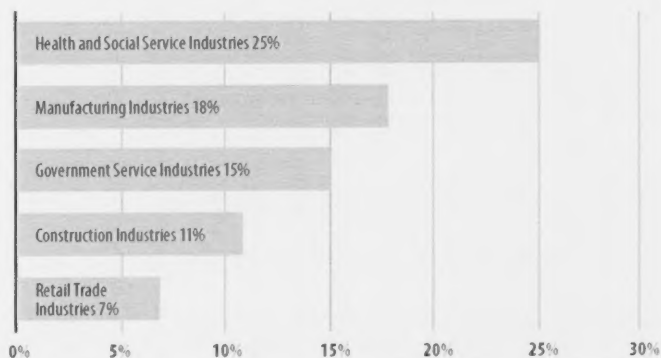
Workplace Health and Safety Workshops and Presentations



Top Five Anatomical Areas of Injury



Top Five Industries having Workplace Injuries



injury prevention ...

*depends on workers, employers and the Workers Compensation Board
each understanding their role in making Prince Edward Island a safe place to work.*



Strategic Theme: *Improving Worker Outcomes*

Key Result Area: *Improving Outcomes for Workers with Soft Tissue Injuries*

Over fifty percent of all claims filed with the Workers Compensation Board are the result of soft tissue injuries. The Workers Compensation Board is committed to effective case management for all injury types; however, a focused approach which will enhance the timely and safe return to work for workers with soft tissue injuries is essential.

Measures of Success:

- A process for managing soft tissue injury claims has been developed.
- Staff, employers, and health care providers understand the process and respective roles and responsibilities for managing soft tissue injury claims.
- Soft tissue injury claims are being identified and a process for managing soft tissue injury claims is being used.
- Workers with soft tissue injuries have more successful outcomes.

Course of Action:

Awareness and understanding are critical success factors for positive outcomes of soft tissue injuries. In 2011, to further the processes developed for the effective management of soft tissue injury claims, efforts were focused on education for injured workers, employers, and health care providers.

Results Summary:

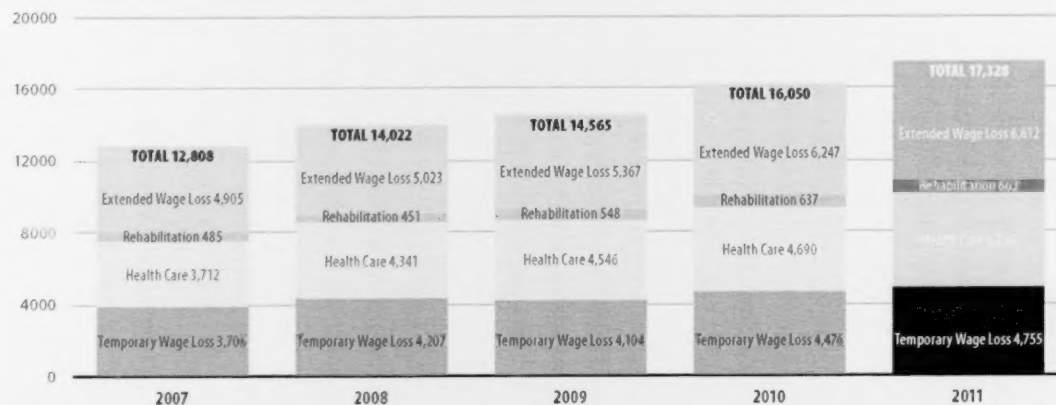
Completed as of December 2011:

- ✓ Developed an evaluation framework for critical path documents and fact sheets for soft tissue injuries to the back and shoulder
- ✓ Distributed injury-specific information to all workers with new back and shoulder soft tissue injury claims to educate them on recovery and return to work processes
- ✓ Surveyed workers on the efficacy of the soft tissue injury education initiative
- ✓ Disseminated injury-specific information to employers with claims for shoulder and back soft tissue injuries of over four weeks in duration to promote effective return to work plans
- ✓ Distributed critical path and injury fact sheets on soft tissue injuries to Island health care providers to promote a collaborative approach to claims management
- ✓ Focused education efforts on employers with high injury cost experience to promote the development of effective return to work programs

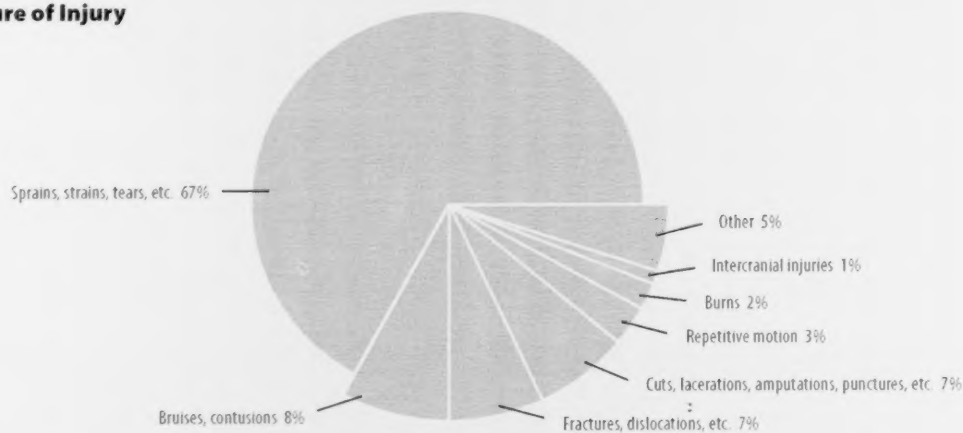
Key Statistics: Improving Worker Outcomes

Benefit Payments Incurred (in thousands)

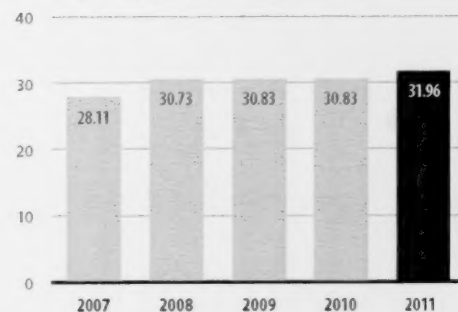
Benefit Payments Incurred: *Benefit payments incurred are reported on the Workers Compensation Board's annual report.*



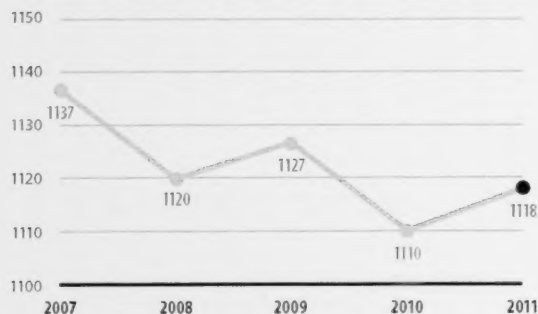
Nature of Injury



Average Days Claim Duration



Number of Workers Receiving Extended Benefits



over 50 %

of all claims filed with the Workers Compensation Board are the result of soft tissue injuries... a focused approach which will enhance the safe and timely return to work for workers with soft tissue injuries is essential.



Strategic Theme: *Meeting Service Expectations*

Key Result Area: **Service Delivery**

Meeting service delivery expectations will always be critical to the success of the Workers Compensation Board. Past stakeholder survey results indicate that improving claim processing effectiveness will have the greatest impact in terms of stakeholder satisfaction with services delivered by the Workers Compensation Board.

Measures of Success:

- WCB staff, employers, workers and service providers have participated in the identification of standards for claim processing effectiveness.
- Priority claim processing standards have been identified and communicated.
- Claim processing effectiveness has improved.

Course of Action:

In 2011, efforts were focused on improving service delivery with the ultimate goal of enhancing the experience of our stakeholders.

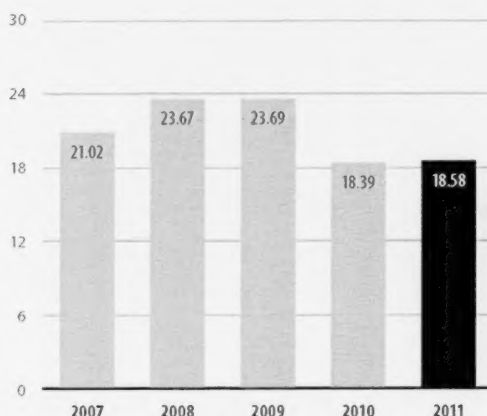
Results Summary:

Completed as of December 2011:

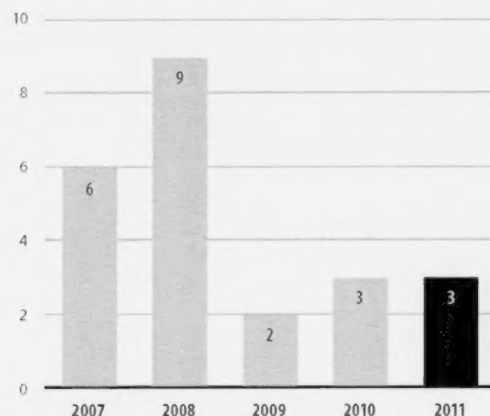
- ✓ Implemented service delivery improvements through the allocation of dedicated resources to general claims inquiries
- ✓ Improved consistencies in claims management with staff training in the areas of entitlement, decision writing and the weighing of evidence
- ✓ Streamlined cross-functional business processes to improve stakeholders' experiences and increase efficiencies
- ✓ Enhanced privacy measures with respect to releasing information under the *Workers Compensation Act* and the *Freedom of Information and Protection of Privacy Act*

Key Statistics: *Service Delivery*

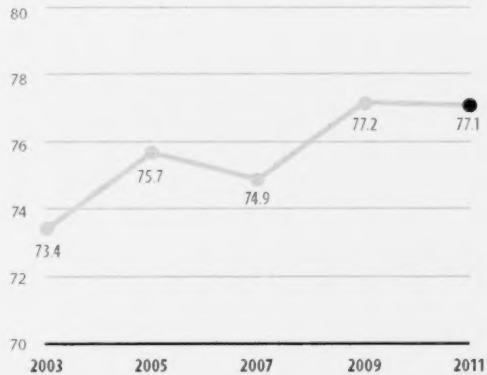
Average Calendar Days from Report of Accident to First Payment



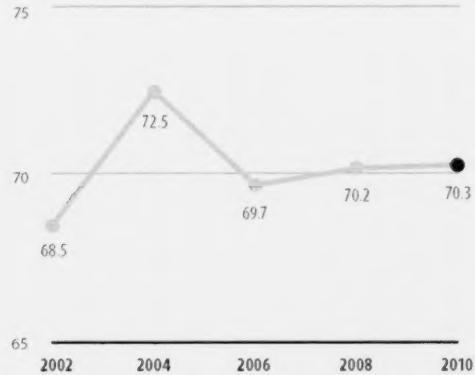
Customer Liaison Complaint Calls



Employer Survey Service Satisfaction Index

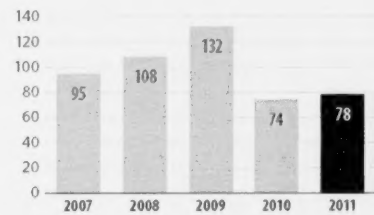


Injured Workers Survey WCB Performance Index

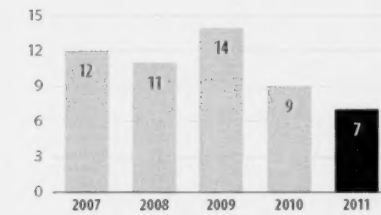


Internal Reconsideration

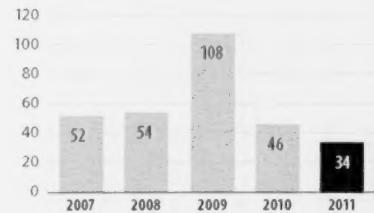
Appeals Received



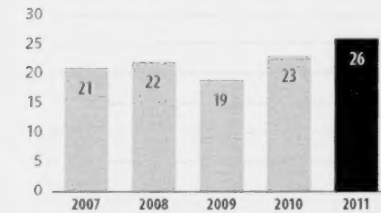
Appeals Accepted



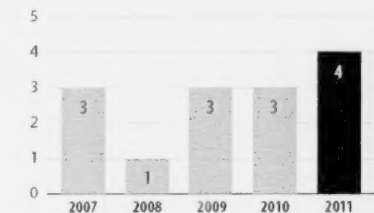
Appeals Denied



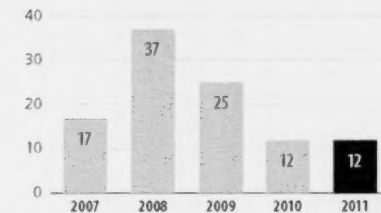
Appeals Withdrawn



Appeals Withdrawn



Appeals Decision Pending



improving
claim processing...

will have the greatest impact in terms of stakeholder satisfaction with services delivered by the Workers Compensation Board.



Strategic Theme: *Meeting Service Expectations*

Key Result Area: Information Technology (IT)

Technology continues to evolve at a rapid pace. The Workers Compensation Board recognizes the potential of the Internet for delivering core services to clients. Over the next five years, the Workers Compensation Board will roll out an E-business strategy providing secure and easy to use web-based services for clients who prefer the convenience of online access.

Measures of Success:

- A secure E-business infrastructure is in place.
- E-business services have been introduced.
- An Information Technology Business Plan has prioritized E-business requirements.
- E-business is available to stakeholders in a secure, well supported environment.
- E-business services are being used by stakeholders.

Course of Action:

Building upon the foundations that were established in 2010 for E-business, efforts in 2011 were focused on incorporating E-business standards into system upgrade initiatives.

Results Summary:

Completed as of December 2011:

- ✓ Initiated planning for an Occupational Health and Safety system that will support future E-service initiatives
- ✓ Developed and launched a redesigned Workers Compensation Board website to support the delivery of E-business services
- ✓ Implemented five priority online services for employers, that enable access to employer account information and electronic clearance letter generation

...will roll out an E- business strategy providing secure and easy to use
web-based services.



Strategic Theme: *Promoting Strength Within*

Key Result Area: *Human Resources*

A qualified, committed, and motivated staff is clearly the most valuable resource within any organization. The Workers Compensation Board must create an environment where staff believe in the work they do, have the tools, knowledge and support they need, and are challenged to contribute to ongoing improvement and positive change within the organization.

Measures of Success:

- Employees have participated in a review of performance development and evaluation methods.
- Performance development and evaluation procedures have been documented.
- Supervisors have been trained on performance development, evaluation procedures, and techniques for giving and receiving feedback.
- Employee satisfaction in areas specific to receiving support and recognition has improved.

Course of Action:

In 2011, we continued our efforts to further a positive workplace culture, by focusing on leadership at all levels of the organization and by supporting staff in their professional growth across a variety of dimensions.

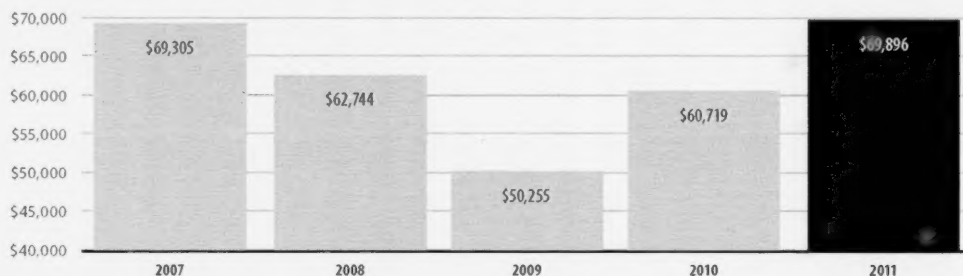
Results Summary:

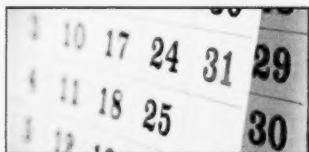
Completed as of December 2011:

- ✓ Provided information to the leadership team on core competencies for their professional development
- ✓ Identified next steps in the assessment and development of core competencies for managers and supervisors
- ✓ Commenced incorporation of core competency recognition into management position descriptions
- ✓ Identified strategic links between building workplace culture staff survey process and repurposed the employee opinion survey to identify areas for focused action related to internal communication processes

Key Statistics: *Human Resources*

Investment in Employee Development





Strategic Theme: *Securing the Future*

Key Result Area: *Financial*

Long term sustainability of the workers compensation system on Prince Edward Island depends on sound fiscal management, stringent audit standards, full funding policies, and transparent financial reporting. The Workers Compensation Board is committed to protecting the future of the workers compensation system on behalf of Island workers and employers.

Measures of Success:

- The funding strategy has been amended.
- A funding policy has been developed.
- Funding targets are being maintained.
- Changing accounting standards are being monitored and potential impacts identified.

Course of Action:

In 2011, we continued our ongoing efforts to enhance understanding of funding strategy and policy, and to maintain funding targets.

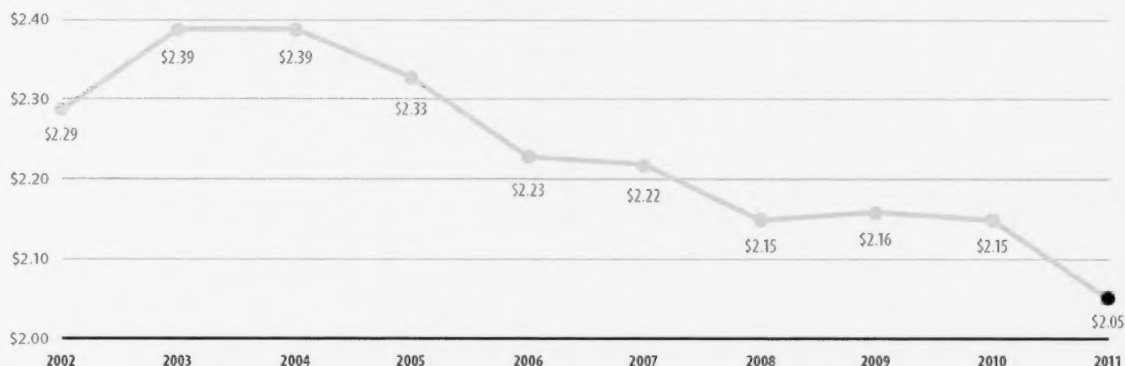
Results Summary:

Completed as of December 2011:

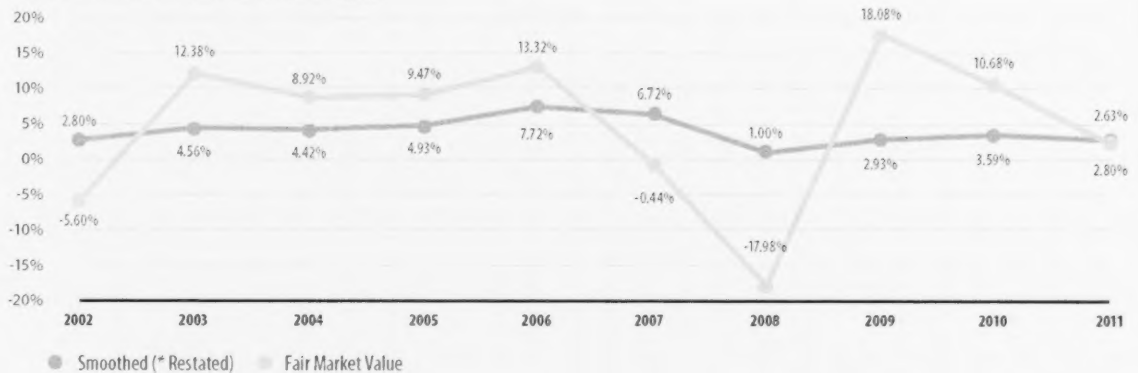
- ✓ Implemented improvements to the employer classification system to better align assessment rates with the risks of workplace injury
- ✓ Analyzed the impacts of International Financial Reporting Standards for the 2011 financial position and financial statements
- ✓ Participated in the Association of Workers' Compensation Boards of Canada (AWCBC) working group on implementation of International Financial Reporting Standards for Workers Compensation Boards across the country

Key Statistics: *Financial*

Average Assessment Rate



Investment Return (Percentage)

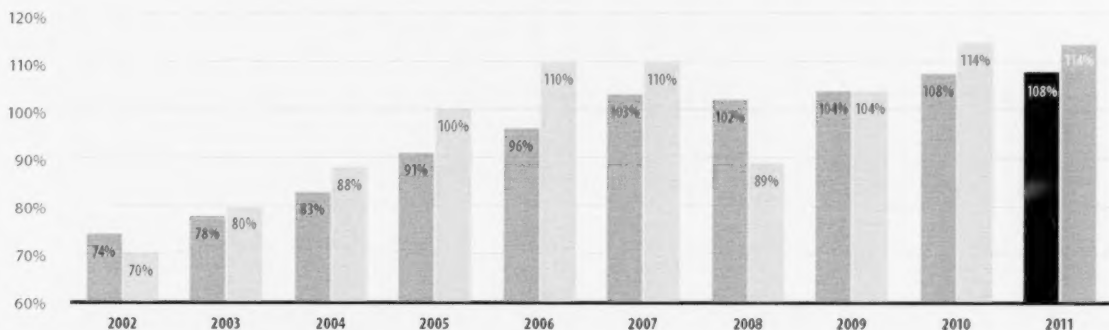


Funded Position (Percentage)

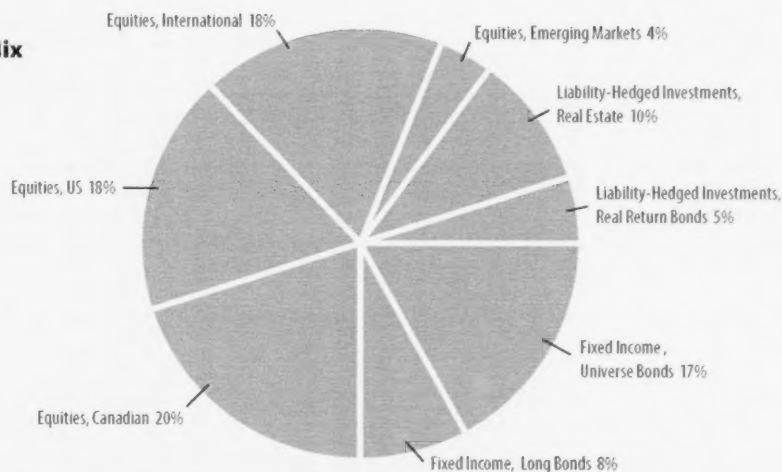
Smoothed
Fair Market Value

Investment returns - Smoothed:
Recognizing gains and losses of investments over five years rather than recording them entirely in the year they occur.

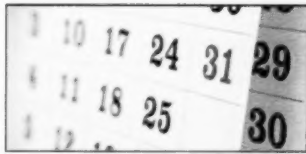
Investment returns - Fair Market Value:
Recognizing gains and losses of investments in the year they occur.



Target Asset Mix



Long term sustainability of the workers compensation system on Prince Edward Island depends on sound
fiscal management,
 stringent audit standards, full funding policies, and transparent financial reporting.



Strategic Theme: *Securing the Future*

Key Result Area: Legislation

The Workers Compensation Board is responsible for administration of the *Workers Compensation Act* and the *Occupational Health and Safety Act*.

Provisions in the *Workers Compensation Act* mandate a comprehensive review every five years. The Workers Compensation Board must facilitate a fair and consultative process resulting in recommendations for change which balance the needs of workers, the needs of employers, and the fiscal responsibilities of the Workers Compensation Board.

Meeting demands for regulatory amendments within the occupational health and safety legislation will remain a priority for the Workers Compensation Board over the next number of years.

Course of Action:

In 2011, efforts continued in support of legislation and regulations that protect Island workers and employers, and fairly reflect the needs of all stakeholders, with a focus on the *Occupational Health and Safety Act* and its Regulations. This course of action was carried out in consultation with the Occupational Health and Safety Advisory Council.

Results Summary:

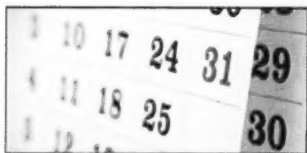
Completed as of December 2011:

- ✓ Conducted an analysis of the electrical section of the *Occupational Health and Safety Act* General Regulations
- ✓ Reviewed and commenced work to recommend amendments to the *Occupational Health and Safety Act* Regulations for first aid
- ✓ Initiated identification of options for improved fall protection enforcement

Measures of Success:

- Legislative Advisory Committee recommendations on proposed *Workers Compensation Act* amendments have been documented and presented to the Board of Directors.
- *Occupational Health and Safety Act* regulatory priorities have been identified.
- *Workers Compensation Act* amendments have been presented to Government.
- Priority *Occupational Health and Safety Act* regulations have been presented to Government.
- Legislative and regulatory changes have been implemented.

Legislative and regulatory review... a
fair and consultative
process resulting in balance.



Strategic Theme: *Securing the Future*

Key Result Area: Business Continuity Planning

Business continuity planning is a proactive planning approach which ensures that essential services are provided during a disruption of business. The Workers Compensation Board believes that mission critical services must be available to clients should an unforeseen event cause a disruption in normal business operations.

Measures of Success:

- A business continuity risk working group is in place.
- Mission critical services have been documented.
- A Business Continuity Plan has been formalized and communicated to staff within the Workers Compensation Board.
- Procedures for Business Continuity Plan maintenance are in place.

Course of Action:

In 2011, the Workers Compensation Board formalized its Business Continuity Plan documentation and developed procedures for the plan maintenance to ensure that the organization is prepared to provide essential services in the event of any major business disruption.

Results Summary:

Completed as of December 2011:

- ✓ Developed a training plan for WCB staff and implemented processes to ensure WCB staff remain up-to-date with respect to the Business Continuity Plan
- ✓ Developed a plan for the maintenance of the Business Continuity Plan to ensure timely response to organizational changes
- ✓ Developed a plan for access to the Business Continuity Plan in the event that the Business Continuity Plan is activated
- ✓ Facilitated the distribution of temporary disability cheques during the postal service disruption
- ✓ Conducted a security assessment of the Workers Compensation Board to ensure appropriate measures are being taken to protect the organization and its people

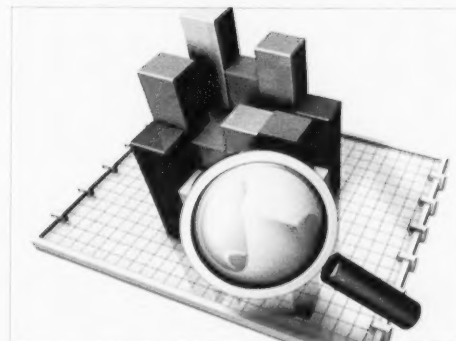
The Workers Compensation Board believes that

mission critical services

must be available to clients should an unforeseen event cause a disruption in normal business operations.

At a Glance

Key Statistical Measures



KEY STATISTICAL MEASURE	2010	2011
Workers		
Claims adjudicated	1,751	1,736
Claims accepted	1,669	1,627
Claims denied	82	109
Temporary wage loss claims	810	864
Medical aid only claims	859	763
Fatalities	0	0
Maximum annual earnings level	\$47,500	\$47,800
Average calendar days from report of accident to first payment	18.39	18.58
Average claim duration (days)	30.83	31.96
Employers		
Assessable payroll (in millions)	\$1,599.41	\$1,639.10
Assessment revenue (in millions)	\$32.05	\$32.60
Average assessment rate (per \$100 assessed payroll)	\$2.15	\$2.05
Maximum assessable earnings	\$47,500	\$47,800
Number of assessed employers	4991	5011
Prevention		
Workplace health and safety inspections	2259	2071
Complaint investigations	62	80
Occupational Health and Safety violation orders	1783	1476
Accident investigations	102	135
Workplace health and safety workshops and presentations	208	274
Prosecutions	0	1
Finance		
Benefits liability (in millions)	\$143.56	\$149.81
Fund balance (in millions)	\$19.83	\$21.07
Administration costs (in millions)	\$6.95	\$7.08
Market rate of return on portfolio	10.68%	2.63%
Workers Compensation Appeal Tribunal (WCAT) Appeals		
Appeals initiated by workers	18	14
Appeals initiated by employers	5	2
Decisions rendered	28	9

Financial Statements



Preface to the audited financial statements

2011 Financial Reporting

During the 2004 year, all Workers Compensation Boards in Canada were required to change their investment accounting policy in their financial statements as a result of new standards introduced by the Canadian Institute of Chartered Accountants. Investments are now required to be recorded at their fair value which is essentially their market value. In the 2011 year, the Board adopted International Financial Reporting Standards which continues to require that investments be recorded at their fair value.

Under the smoothed method of recorded investment income, Workers Compensation Boards in Canada had smoothed gains and losses on the sales of investments over five years rather than recording them entirely in the year they were sold. The result of doing this was to reduce the volatility experienced in the Board's financial results as the annual investment income was more comparable to the long term rate of return than rates experienced over the short term. This gave stability to assessment rates and ensured that annual assessment rates were not set based on volatile annual investment returns.

Under the fair value method of recording investment income, gains and losses are recognized in the year they occur. This can introduce a significant amount of volatility to the Board's financial results. As is outlined in the 2011 financial statements, the unusual situation occurred in 2011 whereby the Board's financial results for the 2011 year were very close to the same under the smoothed method as they were under the fair value method.

The Board's funded percentage, as determined based on the smoothed method of recording investment income was 107.9% at the end of 2011 compared with 107.6% at the end of 2010. The adoption of the fair value method results in a funding ratio at the end of 2011 of 113.8%.

The Board cannot use an accounting policy alone to drive its key business decisions. Assessment rates for employers and benefit levels for injured workers cannot be based on short-term, annual investment gains or losses, which by their nature, are unpredictable and not guaranteed to be sustained over the long term. The Board's financial capacity to lower rates or increase benefits has to continue to be based on the long-term expectation for investment returns. As a result, the Board intends to continue setting assessment rates based on the long-term expected rate of return rather than short-term results.

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. In 2007, the Board replaced this funding strategy with a funding policy which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

The primary goals of the funding policy are to minimize the risk of becoming unfunded, thereby ensuring there is sufficient money available for payment of current and future worker benefits; minimize cost volatility for employers so that the overall average assessment rate for the current year will not vary significantly over the previous year's overall average assessment rate; minimize the total cost charged to employers by ensuring the funded status is appropriate in relation to financial needs; ensure today's employers pay for the current and future cost of today's accidents.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range.

We expect the Board to maintain strong financial results despite the potential for fluctuations and erratic movements of the investment market. We will also continue to be prudent when recognizing investment gains and losses over a reasonable time period when setting rates and evaluating the funding strategy.

ACTUARIAL CERTIFICATE

We have completed an actuarial valuation of the benefit liabilities for insured employers under the Workers Compensation Act of Prince Edward Island (the "Act") as at December 31, 2011, for the purpose of providing input to the Financial Statements of the Workers Compensation Board of Prince Edward Island (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms.

Our estimate of the benefits liabilities of \$149,810,000 represents the actuarial present value at December 31, 2011, of all expected benefit payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2011. The liabilities include a provision for future administrative expenses based on a study conducted by Board staff. As in previous valuations, the benefits liabilities do not include any provision for outstanding latent occupational disease awards, except to the extent such claims are represented in the past claim histories. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

Data required for the valuation has been provided by the Board. We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years.

The liabilities have been allocated into five categories, namely, temporary wage loss, pensions and extended wage loss, health care, rehabilitation and administration.

All liabilities have been calculated using underlying assumptions of 3.50% per annum for the real rate of return on invested assets and 3.00% per annum for the rate of increase in the Consumer Price Index.

The CPI assumption equates to inflation rates for indexing benefits of 2.25% per annum in respect of pensions, extended wage loss and survivor benefits, because indexing for these benefits is specified under the Act as 75% of the rate of increase in the Consumer Price Index. No indexing is applied to Section 43 awards in-pay in accordance with Board policy.

Liabilities in respect of permanent extended wage loss, pensions, and Section 43 awards in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

Liabilities in respect of future extended wage loss and Section 43 awards have been determined based on factors developed from historical patterns of awards, and using mortality, interest, and inflation assumptions identical to those used in determining the existing extended wage loss and Section 43 liabilities.

The liabilities in respect of temporary wage loss, health care, rehabilitation and permanent impairment lump sum awards have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 3.00% per annum has been used to project future cash flows for temporary wage loss, wage-related rehabilitation, and permanent impairment lump sums. For health care and non-wage related rehabilitation, we used an inflation rate of 4.75% per annum reflecting the greater expected inflation and utilization rate for these benefit categories.

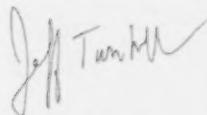
It is our opinion that:

- the data are sufficient and reliable for the purpose of this valuation;
- the actuarial assumptions and the methods employed are appropriate for the purpose of the valuation;
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date; and
- our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada.

Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.



Mark Simpson FSA, FCIA, CFA



Jeff Turnbull, FSA, FCIA



Independent auditors' report

To the members of the Board of the

Workers Compensation Board of Prince Edward Island

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F +1 902 566 5358
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We have audited the accompanying financial statements of the Workers Compensation Board of Prince Edward Island, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of operations and fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers Compensation Board of Prince Edward Island as at December 31, 2011, December 31, 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Charlottetown, Prince Edward Island

March 29, 2012

Chartered Accountants

Workers Compensation Board of Prince Edward Island **Statements of operations and fund balance**

Year ended December 31	Notes	2011	2010
Revenues			
Current assessments		\$ 32,928,109	\$ 31,907,612
Self-insured employers		824,041	783,276
Investments	4	4,089,821	13,937,846
Interest on receivables		216,617	220,522
Recoverable administration fees and interest charges to self-insured employers	12	294,320	253,981
		<u>38,352,908</u>	<u>47,103,237</u>
Expenses			
Claims cost expenses			
Expected increase	11	9,962,000	9,674,000
Changes in actuarial assumptions and methodology	11	689,000	936,000
Experience gains	11	(1,923,000)	(3,804,000)
Claims and administrative costs incurred	11	18,454,000	17,093,000
Other experience losses (gains)		750,052	(957,342)
Claims costs incurred for self-insured employers	12	824,041	783,276
		<u>28,756,093</u>	<u>23,724,934</u>
Administration expenses			
Administration (Page 58)		7,081,288	6,947,631
Workers' Advisor Program	14	157,855	141,083
Employers' Advisor Program	14	141,441	133,862
Appeals Tribunal	14	117,189	171,726
		<u>7,497,773</u>	<u>7,394,302</u>
Other expenses			
Investment management expenses	4	761,444	604,790
Bad debt expense		96,364	38,972
		<u>857,808</u>	<u>643,762</u>
Total expenses		<u>37,111,674</u>	<u>31,762,998</u>
Excess of revenues over expenses		<u>\$ 1,241,234</u>	<u>\$ 15,340,239</u>
Fund balance, beginning of year			
		\$ 19,832,548	\$ 4,492,309
Excess of revenues over expenses		<u>1,241,234</u>	<u>15,340,239</u>
Fund balance, end of year		<u>\$ 21,073,782</u>	<u>\$ 19,832,548</u>

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island

Statement of Financial Position

December 31	Notes	2011	2010	January 1 2010
Assets				
Cash and cash equivalents		\$ 8,596,510	\$ 9,002,574	\$ 6,052,597
Receivables	3	1,303,643	1,034,017	1,478,892
Investments	4	160,938,875	152,393,484	122,059,282
Property and equipment	6	1,529,900	1,619,002	1,724,369
Intangible assets	7	<u>2,091,784</u>	<u>2,250,800</u>	<u>2,270,338</u>
		<u>\$ 174,460,712</u>	<u>\$ 166,299,877</u>	<u>\$ 133,585,478</u>
Liabilities and fund balance				
Payables and accruals	9	\$ 2,380,930	\$ 1,890,730	\$ 1,059,169
Employee future benefits	10	1,196,000	1,015,600	896,000
Benefits liabilities	11	<u>149,810,000</u>	<u>143,561,000</u>	<u>127,138,000</u>
		153,386,930	146,467,330	129,093,169
Fund balance	13	<u>21,073,782</u>	<u>19,832,548</u>	<u>4,492,309</u>
		<u>\$ 174,460,712</u>	<u>\$ 166,299,878</u>	<u>\$ 133,585,478</u>

On behalf of the Board

Nancy E. Ruppell Chair

Carol Anne Duffy Chief Executive Officer

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island

Statement of cash flows

Year ended December 31

2011

2010

Cash flow from operating activities

Cash received from:		
Assessed employers	\$ 32,599,471	\$ 32,410,144
Deposit from Province of Prince Edward Island from assumption of benefit liabilities	-	14,064,000
Self insured employers for assessments	852,047	922,626
Investments and other	4,289,983	3,286,187
	<u>37,741,501</u>	<u>50,682,957</u>
Cash paid:		
To claimants or third parties on their behalf	(20,479,041)	(19,144,712)
For administration requirements and other goods	(2,619,023)	(2,649,966)
For salaries to employees	(5,489,686)	(5,224,950)
	<u>(28,587,750)</u>	<u>(27,019,628)</u>
Net cash provided by operating activities	<u>9,153,751</u>	<u>23,663,329</u>

Cash flow from investing activities

Cash received from:		
Sale of investments	<u>36,194,791</u>	<u>86,222,478</u>
Cash paid for:		
Purchase of investments	(45,454,165)	(106,525,268)
Purchase of intangible assets	(235,015)	(361,894)
Purchase of property and equipment	(65,426)	(48,668)
	<u>(45,754,606)</u>	<u>(106,935,830)</u>
Net cash used in investing activities	<u>(9,559,815)</u>	<u>(20,713,352)</u>
Net (decrease) increase in cash and cash equivalents	(406,064)	2,949,977
Cash and cash equivalents		
Beginning of year	<u>9,002,574</u>	<u>6,052,597</u>
End of year	<u>\$ 8,596,510</u>	<u>\$ 9,002,574</u>

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

1. Nature of operations

The Workers Compensation Board of Prince Edward Island ("the Board") was established by the Prince Edward Island Legislature in 1949 under the *Workers Compensation Act*. The Board has a mandate for the administration of a workers' compensation system as defined by the *Workers Compensation Act* and for the administration of health and safety programs as defined by the *Occupational Health and Safety Act*. The Board's head office is located in Charlottetown, Prince Edward Island, Canada.

The nature of operations includes administering payments of benefits to or on behalf of workers, levying and collecting assessment revenues from employers, investing Board funds, inspecting Prince Edward Island workplaces, enforcing health and safety standards defined by legislation and delivering health and safety education and prevention programs. The current *Workers Compensation Act* became effective on January 1, 1995. The current *Occupational Health & Safety Act* became effective on May 20, 2006.

The Board does not receive government funding.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 29, 2012.

2. Summary of significant accounting policies

Basis of presentation and adoption of IFRS

The financial statements of the Board have been prepared in accordance with International Financial Reporting Standards (IFRS). Previously, the Board followed Canadian generally accepted accounting principles (GAAP) in preparing its financial statements. These are the Board's first financial statements prepared in accordance with IFRS (see Note 15 for explanation of the transition to IFRS). The comparative numbers for the transition year ended December 31, 2010, have been restated on an IFRS basis.

The financial statements of the Workers Compensation Board of Prince Edward Island comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2011.

The principal accounting policies applied in the preparation of the financial statement are set out below. These policies have been consistently applied, except where departure from IFRS is explicitly permitted under the transitional provisions for first time application of IFRS or another IFRS.

Basis of measurement

The financial statements of the Board have been prepared on a historical cost basis except for investments in the statement of financial position that are reported at fair value. The Board's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Board operates, which is also the presentation currency of the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Cash and short term investments held by custodians for investment purposes are not available for general use and, accordingly, are included in investments.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the closing rate, which is the spot exchange rate in effect at the date of the statement of financial position. Exchange differences arising from settlement of monetary items and the subsequent translation of monetary items are included in the statement of operations in the period in which they arise.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

2. Summary of significant accounting policies (cont'd)

Accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with IFRS requires the use of judgements, assumptions, and estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action.

Benefit liabilities, employee future benefits, accrued assessments, allowance for doubtful accounts and depreciation are the most significant items that are based on accounting estimates. Actual results could differ from the estimates made by management in these financial statements, and these differences, which may be material, could require adjustment in subsequent reporting periods. See Note 11 for additional details on benefit liabilities.

Revenue recognition

The Board recognizes revenue when services have been provided, it is probable that the associated economic benefits will flow to the Board and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The Board's primary source of revenue is assessed premiums.

Self-insured employers are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers. As such, assessment revenues from self-insured employers are recognized as these costs are incurred.

Comparative figures

Under IFRS, accounting changes arising from the adoption of new or amended standards must be applied retrospectively, as if the new requirements had always been applied. Accordingly, certain comparative figures have been restated and/or reclassified where required to conform to the current year's accounting treatment.

Specific accounting policies

To facilitate a better understanding of the Board's financial statements, significant accounting policies are disclosed in the notes, where applicable, of the related accounting topics. A listing of these notes is as follows:

Note	Topic	Page
3	Receivables	35
4	Investments	35
6	Property and equipment	41
7	Intangible assets	43
9	Payables and accruals	43
10	Employee future benefits	44
11	Benefits liabilities	45
12	Self-insured employers	52

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

2. Summary of significant accounting policies (cont'd)

Changes in accounting policies

IFRS 9 Phase 1 (Financial Instruments: Classification and Measurement)

In December 2010, the International Accounting Standard Board (IASB) issued Phase 1 of a three-phase redrafting of IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 Phase 1 (Financial Instruments: Classification and Measurement) requires reporting entities to classify financial assets based on the objective of an entity's business model for managing its financial assets and the characteristics of the contractual cash flows. IFRS 9 permits two classifications for financial assets – fair value through profit or loss (FVTPL) and amortized cost. All of the Board's portfolio investments have been classified as FVTPL under IFRS 9. IFRS 9 is effective for fiscal years beginning on or after January 1, 2015, with early adoption permitted for 2010 through 2012. The Board has elected to early adopt IFRS 9 Phase 1 effective January 1, 2010, with retrospective application applied within these financial statements. IFRS 9 Phase 1 has been adopted concurrently with the changeover to IFRS effective January 1, 2010. There is no impact on the statement of financial position or the statement of operations related to the early adoption of IFRS 9.

Future Accounting Standards and Reporting Changes

The IASB has issued IFRS 13, "Fair Value Measurement" effective for year ends beginning on or after January 1, 2013. The new standard explains how to measure fair value by providing a new definition and introducing a single set of requirements for almost all fair value measurement. The standard also clarifies how to measure fair value when a market becomes less active and improves transparency through additional disclosures. Management does not anticipate that this section will have a material impact on its financial statements.

The IASB has revised IAS 19, "Employee Benefits". The amendments are effective for year ends beginning on or after January 1, 2013. The amended standard will result in immediate recognition of all estimated changes in the cost of providing defined benefits and all changes in the value of plan assets. The various methods which allow deferral of some of the gains or losses under the previous standard have been eliminated. Management does not anticipate that this section will have a material impact on its financial statements.

The IASB is currently working on revisions to IFRS 4 (Insurance Contracts), IAS 17 (Leases), and IAS 18 (Revenues). At the current time, the impact of proposed revisions is not determinable.

3. Receivables

Accounting Policy

Trade receivables are amounts due from employers for assessed premiums, or estimated premiums, when a final return for insurance coverage for the period has not been filed. Assessed premiums receivable are initially recognized at the invoiced amount and, subsequently, measured at recoverable value that is net of a provision for uncollectible amounts. Trade and other receivables are classified as financial assets and are recorded at amortized cost.

At the beginning of each year, an assessment is levied on non-monthly employers by applying industry assessment rates to their estimated payrolls. During the year, employers' actual payrolls may vary from their estimate; therefore, at year end, accrued assessments receivable are adjusted based on payroll adjustments from the prior year. The accrued assessments are determined excluding those employers whose assessments are levied on a monthly basis.

Other receivables include amounts due from employees for computer purchases and other payroll related items.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

3. Receivables (cont'd)

	<u>2011</u>	<u>2010</u>	<u>January 1</u> <u>2010</u>
Receivables			
Assessments	\$ 1,477,368	\$ 1,486,112	\$ 1,315,665
Less allowance for doubtful accounts	(121,370)	(102,960)	(128,672)
Accrued assessments	(79,458)	(435,250)	81,891
Self-insured employers	(28,589)	(583)	138,767
Other receivables	<u>55,692</u>	<u>86,698</u>	<u>71,241</u>
	<u>\$ 1,303,643</u>	<u>\$ 1,034,017</u>	<u>\$ 1,478,892</u>

4. Investments

Accounting Policy

All the Board's portfolio investments, except real-return bonds, are mandatorily classified as fair value through profit or loss investments. Real return bonds have been designated by the Board as fair value through profit or loss as permitted under IFRS 9. As such, all portfolio investments are recorded at their fair value. The Board recognizes interest revenue as earned, dividends when declared and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts received through the sale of the investments and their respective cost base. Unrealized gains and losses on fair value through profit or loss investments are recognized as investment income at year end based on the fair value of the investments at that time. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations. Investment income also includes interest income and income distributions from pooled funds.

The Board utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transaction are recorded on the date an agreement is entered (the trade date) and not on the date the transaction is finalized (the settlement date). Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transactions date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Fair values of specific investments are determined as follows:

- Equities are valued at their year end quoted market prices as reported on recognized public securities exchange.
- Fixed-term investments are valued at their year end closing or bid price based on available public quotations from recognized dealers in such securities.
- Commercial paper, short term notes and treasury bills and term deposits maturing within a year are valued at either their year end closing or bid price based on available quotations from recognized dealers in such securities, or cost plus accrued interest, which approximates fair value.
- Pooled fund units are valued at their year end net asset value, as determined by the fund manager or administrator. These values represent the Board's proportionate share of underlying net assets at fair values determined using either quoted market prices or year end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

4. Investments (cont'd)

- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date. The Board has not designated the forward exchange contracts as a hedging instrument. Any changes in the fair market value of the instruments are recognized directly into earnings.
- Real estate is originally recorded at cost from the date of acquisition until receipt of the first appraisal. After receipt of the first appraisal, they are recorded at their most recent external appraisal value. Real estate investments are appraised annually by qualified external real estate appraisers.

	<u>2011</u>	<u>2010</u>	January 1 <u>2010</u>
Investments			
Cash and short term investments	\$ 1,641,544	\$ 2,171,516	\$ 2,282,082
Forward foreign exchange contracts	511,159	754,635	437,382
Real estate	16,781,539	9,700,811	-
Fixed term investments	52,679,145	44,055,326	40,390,929
Equities	<u>89,325,488</u>	<u>95,711,196</u>	<u>78,948,889</u>
	<u>\$ 160,938,875</u>	<u>\$ 152,393,484</u>	<u>\$ 122,059,282</u>

	<u>2011</u>	<u>2010</u>
Investment income (loss)		
Earned during the year	\$ 4,803,804	\$ 3,906,434
Realized investment gains	3,002,859	1,029,290
Change in unrealized investment (losses) gains	<u>(3,716,842)</u>	<u>9,002,122</u>

	<u>\$ 4,089,821</u>	<u>\$ 13,937,846</u>
Investment expenses		
External management fees	\$ 592,597	\$ 456,380
Management fees paid to Worksafe NB	<u>168,847</u>	<u>148,410</u>
	<u>\$ 761,444</u>	<u>\$ 604,790</u>

Pooled funds

Certain of the Board's portfolio investments are held through pooled funds. The fair value of the investments held through pooled funds is as follows:

	<u>2011</u>	<u>2010</u>	January 1 <u>2010</u>
Conventional bonds	\$ 43,811,913	\$ 36,563,415	\$ 27,878,381
Real return bonds	8,867,323	7,447,125	5,872,694
Non North American equities	5,428,674	6,726,919	5,328,578
Real estate	<u>16,781,539</u>	<u>9,700,811</u>	<u>-</u>
	<u>\$ 74,889,449</u>	<u>\$ 60,438,270</u>	<u>\$ 39,079,653</u>

Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of Worksafe NB. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 13.2% at December 31, 2011 (2010 – 13.1%). The Board pays a fee to Worksafe NB for the administration of the combined investments.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

5. Financial risk management

The Board has established policies for management of its investments. All of the Board's pooled investments are managed by independent, external investment managers. The compliance of these managers with the established policies is monitored on a regular basis. The pooled investments are managed to reduce investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, in conjunction with WorkSafe NB, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices.

The following sections describe the Board's financial risk exposure and related mitigation strategies.

Market risk

The Board invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Such market changes are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks to issuers, which may affect the market value of individual securities. Policy guidelines have been established to ensure that the Board's investments are diversified by issuer, industry and geographic location.

The table below indicates the total exposure in each of the equity mandates within the Board's portfolio:

	<u>2011</u>	<u>2010</u>
Canada	\$ 31,030,244	\$ 31,732,122
United States	27,618,993	30,940,267
International equities	25,148,658	26,258,465
Canadian commercial real estate	16,781,539	9,700,811
Emerging markets	<u>5,527,737</u>	<u>6,780,342</u>
	<u>\$ 106,107,171</u>	<u>\$ 105,412,007</u>

The table below presents the effect of a change in value of equities held based on management estimates for each of the equity mandates in the Boards' portfolio:

	<u>2011</u>			
Equities				
Change in market value	<u>15%</u>	<u>5%</u>	<u>-5%</u>	<u>-15%</u>
Impact on fund balance				
Canadian	\$ 4,655,000	\$ 1,552,000	\$ (1,478,000)	\$ (4,047,000)
United States	4,143,000	1,381,000	(1,315,000)	(3,602,000)
International equities	3,772,000	1,257,000	(1,198,000)	(3,280,000)
Canadian commercial real estate	2,517,000	839,000	(799,000)	(2,189,000)
Emerging markets	819,000	276,000	(263,000)	(721,000)

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

5. Financial risk management (cont'd)

Equities Change in market value	2010			
	15%	5%	-5%	-15%
Impact on fund balance				
Canadian	\$ 4,760,000	\$ 1,587,000	\$ (1,511,000)	\$ (4,139,000)
United States	4,641,000	1,547,000	(1,473,000)	(4,036,000)
International equities	3,939,000	1,313,000	(1,250,000)	(3,425,000)
Canadian commercial real estate	1,455,000	485,000	(462,000)	(1,265,000)
Emerging markets	1,017,000	339,000	(323,000)	(884,000)

Foreign currency risk

The Board has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. For its U.S. and non North American equities, the Board has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2011 mature in the first three months of 2012.

The Board has significant current exposure in the US dollar, the Euro, the Japanese Yen and the British Pound. Exposure to changes in these four currencies represents 89% of the Board's total exposure to developed market foreign currencies and 78% of the total foreign currency exposure including emerging markets. The Board has holdings of \$28,483,000 (2010 - \$30,103,000) in US dollar or 17.7% of the portfolio, \$6,202,000 (2010 - \$7,492,000) or 3.9% in the Euro, \$5,103,000 (2010 - \$5,332,000) or 3.2% in the Japanese Yen, and \$5,401,000 (2010 - \$6,035,000) or 3.4% in the British Pound.

The table below presents the effects of a 15% appreciation in the Canadian dollar as compared to the US dollar, Euro, Japanese Yen and British Pound on the fund balance:

	2011	2010
CAD/USD	\$ (3,715,000)	\$ (3,926,000)
CAD/EURO	\$ (809,000)	\$ (977,000)
CAD/YEN	\$ (666,000)	\$ (695,000)
CAD/POUND	\$ (704,000)	\$ (787,000)

At December 31, 2011, the notional value of outstanding forward foreign exchange contracts was \$25,669,200 (2010: \$26,425,509). The fair value of these contracts was \$511,159 (2010: \$754,635). Unrealized losses on forward foreign exchange contracts of \$243,475 (2010: Gains of \$297,253) were included in investment income.

Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets. To mitigate the effect of inflation on the Board's future liabilities, the portfolio holds inflation sensitive investments, such as real return bonds and real estate. Canadian real return bonds are indexed to the annual change in the Canadian Consumer Price Index.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

5. Financial risk management (cont'd)

Interest risk management

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Board's investment portfolio is exposed to interest rate risk from its holdings of fixed income securities. Fluctuations in interest rates are managed by varying the duration of the fixed income portfolio. The following table presents the remaining term to maturity of the Board's outstanding fixed term investments.

	<u>Remaining term to maturity</u>			<u>Total 2011</u>	<u>Total 2010</u>
	<u>Within 1 year</u>	<u>From 1 year to 5 years</u>	<u>Over 5 years</u>		
Fixed term investments (market value)	\$ -	\$ 12,399,700	\$ 40,279,445	\$ 52,679,145	\$ 44,055,326

The average effective yield of these fixed term investments is 2.2% (2010 – 3.0%) per annum based on market value.

As of December 31, 2011, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the fixed term investments would have increased or decreased by \$5,270,000 (2010 – \$3,150,000) or approximately 10.0% (2010 – 9.4%) of their value.

Credit risk management

Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure the Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher. The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA-. As at December 31, 2011, the aggregate amount of fixed income securities with counterparty ratings of BBB was \$66,854 (2010 – \$44,919).

The Board is also exposed to credit risk through its trade receivables. The Board mitigates this risk through a regular monitoring process. Credit risk is mitigated due to the large number of customers and their dispersion across geographic areas and various industries. Allowance for doubtful accounts is reviewed at each balance sheet date. The Board updates its estimates of allowances for doubtful accounts based on customer history.

Fair value hierarchy

In compliance with IFRS 7, Financial Instruments – Disclosures, the Board has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Board's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

5. Financial risk management (cont'd)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,641,544	\$ -	\$ -	\$ 1,641,544
Investments				
Forward foreign exchange contracts	-	511,159	-	511,159
Real estate	16,781,539	-	-	16,781,539
Fixed term	52,679,145	-	-	52,679,145
Equities	<u>89,325,488</u>	<u>-</u>	<u>-</u>	<u>89,325,488</u>
	<u>\$ 160,427,716</u>	<u>\$ 511,159</u>	<u>\$ -</u>	<u>\$ 160,938,875</u>

During 2011 and 2010, there were no significant transfers of investments between level 1 and level 2.

The following table presents additional information about assets measured at fair value for which the Board utilized level 3 inputs to determine fair value.

	<u>2011</u>	<u>2010</u>
Balance beginning of year	\$ 6,761,963	\$ -
Purchase of level 3 investments	395,525	6,609,077
Sale of level 3 investments	(58,038)	(18,825)
Realized gain recognized in investment income	4,120	223
Unrealized gain recognized in investment income	805,930	171,488
Transfer out of level 3 and into level 1	<u>(7,909,500)</u>	<u>-</u>
Balance end of year	<u>\$ -</u>	<u>\$ 6,761,963</u>

The investment classified as level 3 above consists of pooled fund investing in a Canadian commercial real estate. As of December 31, 2010, this fund had temporarily suspended all withdrawals and was therefore classified in level 3 of the fair value hierarchy. On October 17, 2011, the suspension on withdrawals was lifted and the units of the pooled fund could be purchased or redeemed at the fund net asset value on a daily basis. The fund, therefore, has an available price in an active market and is readily redeemable at the demand of the Workers Compensation Board of Prince Edward Island, qualifying it for level 1 status in the fair value hierarchy. Accordingly the investment was transferred to level 1 on October 17, 2011.

Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet all cash outflow obligations as they come due. The Board mitigates this risk by monitoring cash activities and expected outflows. The Board's current liabilities arise as claims are made. The Board does not have material liabilities that can be call unexpectedly at the demand of a lender or claimant. The Board has no material commitments for capital expenditure and there is no need for such expenditures in the normal course of operations. Claim payments are funded by current operating cash flow including investment income.

There have been no significant changes from the previous year in the exposure to risk or policies, procedure and methods used to measure the risk.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

6. Property and equipment

Accounting Policy

Property and equipment are reported at cost less subsequent depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to their acquisition or construction and any other cost directly attributable to the installation and decommissioning of the asset. Property and equipment are depreciated over their estimated lives on the straight line basis. Assets are depreciated at 50% of the applicable rate in the year of acquisition. When parts of an item of property and equipment have materially different useful lives or patterns of benefit consumption, they are accounted for separately (i.e., as major components). The rates used are as follows:

Buildings and components	10 to 40 years, straight line
Furniture and fixtures	10 years, straight line
Computer equipment	5 years, straight line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entire entity. As the Board has the statutory power under the Act to increase premiums and/or impose levies to ensure full funding unto the foreseeable future, impairment at the entity level is remote. As at December 31, 2011, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Board's ability to generate future economic benefits from its operating non financial assets.

	<u>Land</u>	<u>Buildings</u>	<u>Furniture & Fixtures</u>	<u>Computer Equipment</u>	<u>2011 Total</u>
Gross carrying amount					
Balance January 1, 2011	\$ 368,460	\$ 1,678,791	\$ 422,791	\$ 517,078	\$ 2,987,120
Additions	-	7,390	2,995	55,141	65,526
Disposals	-	-	-	(49,730)	(49,730)
Balance December 31, 2011	368,460	1,686,181	425,786	522,489	3,002,916
Depreciation and impairment					
Balance January 1, 2011	-	(740,413)	(368,927)	(258,778)	(1,368,118)
Disposals	-	-	-	49,730	49,730
Depreciation	-	(54,956)	(10,444)	(89,138)	(154,538)
Balance December 31, 2011	-	(795,369)	(379,371)	(298,186)	(1,472,926)
Carrying amount Dec 31, 2011	\$ 368,460	\$ 890,812	\$ 46,415	\$ 224,303	\$1,529,990

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

6. Property and equipment (cont'd)

Gross carrying amount	Land	Buildings	Furniture & Fixtures	Computer Equipment	2010 Total
Balance January 1, 2010	\$ 368,460	\$ 1,671,346	\$ 422,791	\$ 475,855	\$ 2,938,452
Additions	-	7,445	-	41,223	48,668
Balance December 31, 2010	368,460	1,678,791	422,791	517,078	2,987,120
Depreciation and impairment					
Balance January 1, 2010	-	(685,605)	(355,392)	(177,055)	(1,218,052)
Depreciation	-	(54,808)	(13,535)	(81,723)	(150,066)
Balance December 31, 2010	-	(740,413)	(368,927)	(258,778)	(1,368,118)
Carrying amount Dec 31, 2010	\$ 368,460	\$ 938,378	\$ 53,864	\$ 258,300	\$1,619,002

7. Intangible assets

Accounting Policy

Computer software development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable, and the Board has the intention and sufficient resources to complete development and to use the asset. Computer software assets are derecognized when these factors no longer exist. The capitalized expenditure includes the direct cost of materials and labour, but not administrative costs, including training. Other development expenditures are expensed as incurred if they do not meet the prescribed capitalization criteria. Similarly, costs associated with maintaining computer software programs in a functional condition, as originally intended, are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The Board's intangible assets are comprised of computer software developed internally or acquired through third party vendors and customized as necessary. These costs are accounted for using the cost model whereby capitalised costs are amortized on a straight line or declining balance basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Internally developed software is amortized on a straight line basis over 10 years for certain software and 3 years for other smaller software programs.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

7. Intangible assets (cont'd)

Computer software	<u>2011</u>	<u>2010</u>
Gross carrying amount		
Balance at January 1	\$ 3,790,548	\$ 3,425,338
Addition, separately acquired	<u>235,014</u>	<u>365,210</u>
Balance at December 31	<u>4,025,562</u>	<u>3,790,548</u>
Amortization and impairment		
Balance at January 1	(1,539,748)	(1,155,000)
Amortization	<u>(394,030)</u>	<u>(384,748)</u>
Balance at December 31	<u>(1,933,778)</u>	<u>(1,539,748)</u>
Carrying amount December 31	<u>\$ 2,091,784</u>	<u>\$ 2,250,800</u>

8. Bank indebtedness

The Board has a \$500,000 unsecured operating line of credit of which nil was used at December 31, 2011.

9. Payables and accruals

	<u>2011</u>	<u>2010</u>	January 1 <u>2010</u>
Accrued staff salaries	\$ 101,294	\$ 221,553	\$ 72,727
Accrued vacation pay	176,677	90,582	92,936
Trade and other payables	<u>2,102,959</u>	<u>1,578,596</u>	<u>893,506</u>
	<u>\$ 2,380,930</u>	<u>\$ 1,890,730</u>	<u>\$ 1,059,169</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

10. Employee benefits

Accounting policy

Permanent employees of the Board participate in a defined benefit pension plan sponsored by the Province of Prince Edward Island. As these multi-employer plans meet the accounting requirements for treatment as defined contribution plans, the current year employer contributions are accounted for as current pension expense.

The cost of retirement pay benefits earned by employees is actuarially determined using the projected unit credit method prorated on service. Benefits are projected with management's best estimate of salary escalations to retirement and then pro-rated based on service.

Short term benefits

The Board's short term benefits for qualified active employees include base salary, compensated absences, group life insurance, dental and medical coverage.

Pension plan

The Board and its employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain Crown Corporation and agencies based on the length of service and average of best three year's salary. The plans are similar to state plans as defined in IAS 19 whereby they are established by legislation to provide retirement benefits for eligible provincial employees. State plans share similar characteristics as multi-employer plans and are treated as defined contribution plans under IAS 19. For these plans, the Board has no further payment obligations once the contributions have been paid. Since sufficient information is not readily available to account for the Board's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is \$317,299 (2010: \$290,614). As the Board maintains no obligation to cover funding deficiencies within the plan, should any exist, there are no provisions to be recorded for future funding obligations.

At March 31, 2011, the Civil Service Superannuation Fund reported plan deficiencies of \$139,987,000 or 87% funded.

Retirement pay benefits

The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service, or accrued 5 years of service and die or become disabled.

The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 3.9% (2010 - 4.5%) and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal \$1,196,000 (2010 - \$1,015,600) based on the last actuarial calculation as of December 31, 2011.

Other information about the Board's retirement pay benefits is as follows:

	<u>2011</u>	<u>2010</u>
Opening retirement pay benefits	\$ 1,015,600	\$ 896,000
Changes during the year	<u>180,400</u>	<u>119,600</u>
Ending retirement pay benefits	<u>\$ 1,196,000</u>	<u>\$ 1,015,600</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

10. Employee benefits (cont'd)

Employee benefits risks

The Board's defined benefit plan is indirectly exposed to economic risks with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to uncertainty of the timing of the payments.

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates.

The Board is also exposed to funding risk in the multi employer plans arising from legislative changes affecting eligibility for and amount of pension and related benefits and performance of plan assets affected by investment policies set of the government. Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind up or amendments, and funding requirements.

11. Benefits liabilities

The benefits liabilities represent the actuarial present value of all future benefit payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation policies and administrative practices in respect of existing claims.

The Board believes that the amount provided for benefit liabilities as at December 31, 2011, is adequate, recognizing that actuarial assumptions as disclosed below may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

Benefits liabilities as at December 31, 2011, have been independently valued by the Board's external actuary. Benefits liabilities include a provision for all benefits provided by current legislation, Board policies, and administrative practices. These liabilities also include a provision for future expenses of administering those benefits. Benefits liabilities do not include a provision for benefits costs of self-insured employers.

Since the benefits liabilities of the Board are of a long term nature, the actuarial assumptions and methods used to calculate the reported benefits liabilities are based on considerations of future expenses over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

Key actuarial assumptions

Important components of the benefits liabilities are long term in nature, meaning that many claims continue in payment for many years following the accident.

The independent consulting actuary makes significant estimates and judgments in respect of certain liability amounts disclosed in the financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

11. Benefits liabilities (cont'd)

The key areas of significant estimates and judgments and the methodologies used to determine key assumptions are set out below.

A provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date. This provision includes the cost of claims incurred but not reported to the Board.

The estimation of outstanding benefits liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and administration costs incurred to the reporting date. The various payment codes of the Board are grouped into a number of benefit categories and analyzed separately.

Modeling approaches are used to analyze and project the various benefit types. These approaches fall into three broad categories, which are as follows:

- Payments per claim for active long-term wage loss, pension and survivor claims;
- Projected payments based on past payment patterns for short-term disability, health care and the first seven years for long-term disability awards;
- Estimated average benefit payments per claim for projected future long-term wage loss and physical impairment awards.

Projected future claims payments and associated administration costs are obtained by examining the results from the above methods. This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding benefits liabilities that has an approximately equal chance of proving adequate as not.

The projected future claims payments are converted to inflated values, taking into account assumptions about future inflation. The present value of this liability is then calculated, by discounting the inflated cash flows to allow for future returns on the underlying assets using appropriate discount rates. Both implicit and explicit assumptions are made for future inflation. For the first fifteen years of the projection period for short-term disability, health care and the first seven years for long-term disability awards, the future inflation is implied in the development factors. Explicit future inflation assumptions are used for all other liability estimates.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

11. Benefits liabilities (cont'd)

The table below presents key assumptions used to determine the benefits liabilities.

	<u>2011</u>	<u>2010</u>
Gross rate of return	6.5%	7.0%
Real rate of return	3.5%	3.5%
Increase in inflation	3.0%	3.5%
Future administration	6.5%	6.5%

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

General Statement

Assumptions are formulated to be consistent with the funding and investment policies adopted by the Board. Benefits liabilities are valued based on the primary assumption that the system will be in operation for the very long term. Hence, the focus is on long-term trends as opposed to short-term fluctuations around those trends.

Gross rate of return

The gross rate of return reflects the best estimate of the long-term average rate of return that can be expected using the benchmark asset allocation adopted by the Board in its statement of investment policies and beliefs. The process is based on the estimate of a real rate of return that is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

Future awards liabilities

For the purposes of projecting future cash flows for the future award liabilities, other than those for future extended wage loss awards, the calculation uses a weighted average of payments made over the 2009 to 2011 period. The weightings are 17% of 2009, 33% of 2010 and 50% of 2011, all adjusted to constant 2011 dollars. In the case of medical aid and hospital expenses, certain large individual cases that are expected to require long term care have been removed from historical data. For these cases, the on going payments have been estimated based on an analysis of the individual file.

Pension in pay

The liabilities in respect of pensions and extended wage loss awards, including survivor benefits that are already in payment, are included in this category. Cash flows, in respect of these categories have been projected on an individual claimant basis using mortality as the only decrement. No provision for termination of benefits from other causes such as recoveries has been made. To the extent such terminations occur, there will be a gain.

Future extended wage loss awards

Included in the valuation is a provision for future extended wage loss awards. A claims run off table has been developed based in part on the Board's limited experience with respect to wage loss claims. This table is used to predict the emergence of future extended wage loss claims. The table was developed using a run off table used by another Board with legislation similar to Prince Edward Island's with experience modifications noted in Prince Edward Island as compared to the other jurisdiction.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

11. Benefits liabilities (cont'd)

Future administration

When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation. A detailed review of future administration expenses is conducted periodically. In this review an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. Based on this review, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

Occupational disease

The Board is liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in the financial statements.

An analysis of the components of and changes in benefits liabilities is as follows:

	<u>2011</u>					<u>2010</u>
	Temporary wage loss	Pension and extended wage loss	Health care	Rehabilitation	Administration	Total
Balance, beginning of year	\$ 6,814,000	\$ 93,998,000	\$ 30,747,000	\$ 3,240,000	\$ 8,762,000	\$ 143,561,000
Assumed from Province	<u>-</u> 6,814,000	<u>-</u> 93,998,000	<u>-</u> 30,747,000	<u>-</u> 3,240,000	<u>-</u> 8,762,000	<u>-</u> 143,561,000
Expected increase	466,000	6,529,000	2,135,000	224,000	608,000	9,962,000
Changes in actuarial assumptions and methodology	(17,000)	725,000	(54,000)	(7,000)	42,000	689,000
Experience (gains) losses	<u>115,000</u>	<u>(1,595,000)</u>	<u>(276,000)</u>	<u>(50,000)</u>	<u>(117,000)</u>	<u>(1,923,000)</u>
	7,378,000	99,657,000	32,552,000	3,407,000	9,295,000	152,289,000
Costs incurred	<u>4,755,000</u>	<u>6,612,000</u>	<u>5,298,000</u>	<u>663,000</u>	<u>1,126,000</u>	<u>18,454,000</u>
	12,133,000	106,269,000	37,850,000	4,070,000	10,421,000	170,743,000
Less: Payments made	<u>(5,062,000)</u>	<u>(8,067,000)</u>	<u>(5,796,000)</u>	<u>(730,000)</u>	<u>(1,278,000)</u>	<u>(20,933,000)</u>
Balance, end of year	\$ <u>7,071,000</u>	\$ <u>98,202,000</u>	\$ <u>32,054,000</u>	\$ <u>3,340,000</u>	\$ <u>9,143,000</u>	\$ <u>149,810,000</u>

Benefit liabilities of self-insured employers are not included in the benefits liability. These liabilities will be borne by those employers when paid in the future years. They do not add to the Board's liabilities on its net fund balance.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

11. Benefits liabilities (cont'd)

Current year injuries

	2011	
	Current Year Cost	Present value of future costs
		Total incurred claims
Health care	\$ 1,793,000	\$ 3,505,000
Temporary wage loss	1,903,000	2,852,000
Rehabilitation	-	663,000
Lump sums	18,000	359,000
Future permanent awards	-	6,235,000
Administration	241,000	885,000
Total	<u>\$ 3,955,000</u>	<u>\$ 14,499,000</u>

Prior year injuries

	2010	
	Current Year Cost	Present value of future costs
		Total incurred claims
Health care	\$ 1,210,000	\$ 3,480,000
Temporary wage loss	1,730,000	2,746,000
Rehabilitation	-	637,000
Lump sums	20,000	430,000
Future permanent awards	-	5,797,000
Administration	192,000	851,000
Total	<u>\$ 3,152,000</u>	<u>\$ 13,941,000</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

11. Benefits liabilities (cont'd)

Reconciliation of movement in benefits liabilities

	<u>2011</u>	<u>2010</u>
Balance, beginning of the year	\$ 143,561,000	\$ 127,138,000
Assumption of liability relating to the Province of PEI	-	12,475,000
Interest on liability	9,962,000	9,674,000
Payments and other transitions	<u>(20,933,000)</u>	<u>(19,951,000)</u>
Balance, end of year for prior accident years	132,590,000	129,336,000
Impact of experience losses (gains) on change in liability for prior accident years due to:		
Mortality and termination	(1,300,000)	(500,000)
Award inflation (less) greater than expected	(1,000,000)	300,000
New awards	(700,000)	(1,600,000)
Change in outstanding provision	700,000	(300,000)
Change in expected claim run-off	(600,000)	(300,000)
Difference between actual and expected payments	(600,000)	(400,000)
Other	<u>1,577,000</u>	<u>(1,004,000)</u>
Total change in liability	(1,923,000)	(3,804,000)
Changes in inflation assumption	689,000	-
Changes in mortality table used	-	936,000
Liability for new accidents	<u>18,454,000</u>	<u>17,093,000</u>
Balance, end of year	<u>\$ 149,810,000</u>	<u>\$ 143,561,000</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

11. Benefits liabilities (cont'd)

Claims development

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Board's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The table that follows present the development of claims payments and the estimate ultimate cost of claims for the claim year 2006 to 2011. The upper half of the table shows the cumulative amounts paid or estimate to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

In 2011, the year of adoption of IFRS, only information from periods beginning on or after January 1, 2006 is required to be disclosed. This is being increased in each succeeding additional year, until ten years of information is included.

	Year of estimate	(\$'000) Accident year						Total
		2006	2007	2008	2009	2010	2011	
Estimated total cash flow (including past and future cash flows)	2006	\$ 18,805						
	2007	18,408	\$ 20,438					
	2008	17,678	20,093	\$ 21,985				
	2009	19,977	19,152	21,431	\$ 23,164			
	2010	21,525	19,722	21,158	24,135	\$ 26,044		
	2011	19,937	19,120	20,276	24,699	24,901	\$ 29,273	
Current (2011) estimate of total cash flow		19,937	19,120	20,276	24,699	24,901	29,273	\$138,206
Total cash flows paid December 31, 2011		(8,796)	(8,330)	(7,268)	(7,527)	(5,612)	(3,713)	(41,246)
Estimated future cash flows		11,141	10,790	13,008	17,172	19,289	25,560	96,960
Impact of discounting Liability for accident years 2006 - 2011		(4,777)	(4,711)	(5,833)	(7,974)	(8,656)	(11,511)	(43,462)
Liability for accident years 2005 and prior		6,364	6,079	7,175	9,198	10,633	14,049	53,498
Claims administration								87,169
Balance sheet liability at December 31, 2011								<u>9,143</u>
								<u>\$149,810</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

11. Benefits liabilities (cont'd)

Claims risk

Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work related injuries, the Board bears risk with respect to its future claims costs, which could have material implications for liability estimation. In determining the Board's claim benefit liabilities, a primary risk is that the actual benefits payments may exceed the estimation of the amount of the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims.

Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claim run off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

Sensitivity of actuarial assumptions

The benefits liabilities are determined by using many actuarial assumptions. The two most significant assumptions are the real rate of return and inflation rate. The liability estimates are highly sensitive to small changes in these assumptions. The following table presents the sensitivity of the liabilities to the following change in the real rate of return and inflation rate:

	<u>2011</u>	<u>2010</u>
1% Decrease in real rate of return	<u>\$11,494,000</u>	<u>\$ 10,873,000</u>
1% Increase in inflation	<u>\$(1,360,000)</u>	<u>\$(1,425,000)</u>
0.25% Decrease in real rate of return	<u>\$ 2,730,000</u>	<u>\$ 2,584,000</u>
0.50% Decrease in real rate of return	<u>\$ 5,552,000</u>	<u>\$ 5,253,000</u>

12. Self-insured employers

These financial statements include the effects of significant transactions carried out for self-insured employers, principally the Government of Canada and the Government of Prince Edward Island, who directly bear the costs of their own incurred claims and an appropriate share of administration expenses. Administrative fees and interest charges are included within the schedule of administrative expenses (page 58). Total amounts of assessment revenue and offsetting expenses included in the statements of operations and operating surplus are as follows:

	<u>2011</u>	<u>2010</u>
Current assessment revenue	<u>\$ 824,041</u>	<u>\$ 783,276</u>
Administration fees and interest charges recoverable	<u>294,320</u>	<u>253,981</u>
	<u>\$ 1,118,361</u>	<u>\$ 1,037,257</u>
Claims costs incurred		
Short term disability	<u>\$ 111,553</u>	<u>\$ 128,136</u>
Long term disability	<u>502,467</u>	<u>499,034</u>
Health care	<u>208,071</u>	<u>156,106</u>
Rehabilitation	<u>1,950</u>	<u>-</u>
	<u>824,041</u>	<u>783,276</u>
Administration fees and interest charges	<u>294,320</u>	<u>253,981</u>
	<u>\$ 1,118,361</u>	<u>\$ 1,037,257</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

13. Funding strategy and capital management

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. In recognition of the significant improvement in the Board's financial position under this strategy (2002 – 2006), the Board replaced this funding strategy with a funding policy (POL-136) which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

Fully funded means the total assets of the Board are equal to or greater than the total liabilities.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range. This permitted excess of assets over liabilities reduces the impact of year to year fluctuations, therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met.

Although, per IFRS 9 – Financial Instruments: Classification and Measurement, investments have been recorded in the financial statements using the fair value method, investment revenue for funding policy purposes continues to be recorded using the smoothing method. Under the smoothing method, gains or losses realized on disposal of fixed term investments are deferred and amortized on a straight line basis over a nine year period. Realized and unrealized gains and losses on equity investments are deferred and amortized on a straight line basis over a four year period. The use of the smoothing method for funding policy purposes continues to be in effect to reduce the volatility of investment returns on assessment rates as per the goals of the funding policy.

Investment reconciliation to the smoothing method

January 1, 2011 balance	\$ 8,988,324
2011 adjustment to record revenue using the smoothing method	(1,555)
	<u>\$ 8,986,769</u>

Fund balance based on investment smoothing

Fund balance as currently reported	\$ 21,073,782
Adjustment to record revenue using the smoothing method	(8,986,769)
	<u>\$ 12,087,013</u>

Asset total based on investment smoothing

Total assets as currently reported	\$ 174,460,712
Adjustment to record revenue using the smoothing method	(8,986,769)
Asset total based on investment smoothing	<u>\$ 165,473,943</u>

Total liabilities as currently reported

\$ 153,386,930

Funding status as per funding policy (percentage based on investment smoothing): 107.9%

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

14. Legislative obligations and other related party transactions

Included in these financial statements are transactions with various Prince Edward Island crown corporations, departments, agencies, and Boards related to the Board by virtue of common influence by the Government of Prince Edward Island. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid \$157,855 (2010 - \$141,083) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid \$141,441 (2010 - \$133,862) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid \$117,189 (2010 - \$171,726) to cover the operating costs of the Tribunal.

The table below presents total compensation of the key management group, which includes the Board of Directors and senior executive staff.

	<u>2011</u>	<u>2010</u>
Short term employee benefits	\$ 610,975	\$ 613,171
Post employment benefits	<u>85,835</u>	<u>140,981</u>
	<u>\$ 696,810</u>	<u>\$ 754,152</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

15. First time adoption of IFRS

The financial statements of the Board have been prepared under IFRS for the first time, for the year ending December 31, 2011, with the required restatement of comparative consolidated financial statements under IFRS. Under IFRS, accounting changes arising from the adoption of new or amended standards must be applied retrospectively, as if the new requirements had always been applied. Certain 2011 figures have been restated where required to conform to the current year's accounting treatment.

IFRS 1 elections

Although first-time adoption of IFRS requires retrospective application in the preparation of an entity's opening statement of financial position, IFRS 1 (First-time Adoption of IFRS) provides a number of optional and mandatory exemptions and elections from this general principle. The Board did not apply any of the optional exemptions and elections and applied all the mandatory exemptions.

Reconciliation of Canadian GAAP to IFRS

The Board has restated its financial statements for the year of transition for the Canadian GAAP to IFRS (2010). The impact of transition from Canadian GAAP to IFRS is summarized below:

A. Current assessments revenue

In accordance with IAS 1 – Presentation of Financial Statements, bad debt expense of \$38,972 and collection fees of \$35,720, previously netted against current assessments revenue, has been reclassified as expenses. The bad debt expenses have been shown on a separate line item and the collections fees have been included in administrative expenses under professional fees. In addition, \$220,522 of interest revenue, previously included as part of current assessments revenue, has been reclassified as a separate revenue line item.

B. Investment revenues

In accordance with IAS 1 – Presentation of Financial Statements, investment management expenses of \$604,790 and interest and bank charges of \$101,147, previously netted against current investment income, have been reclassified as a separate expense line items. The interest and bank charges are included in the administration expenses and the investment management expenses are included in other expenses.

C. Administration expenses

In accordance with IAS 16 – Property, Plant and Equipment and IAS 38 – Intangibles, individually significant components of major assets are recognized and depreciated separately. IAS 16 and IAS 38 require the Board to reassess the useful lives and residual value of these assets on an annual basis. Consequently, application of IAS 16 and IAS 38 resulted in increased depreciation on various components of the building and reduce depreciation on the computer software. Management assessed the useful life of most of the software as 10 years as compared to the 5 years used for Canadian GAAP purposes. Management also removed a number of fully depreciated assets from its fixed asset listing that were no longer in use. The net effect of these changes was to reduce the net book value of the property and equipment by \$566,241 and increase the net book value of the intangible assets by \$334,841. Depreciation in 2010 was also reduced by \$45,919. Administrative expenses increased by \$111,748 which is the combined effect of the reduction in depreciation of \$45,919 and the increase in administrative expenses of \$157,667 related to interest and bank charges (\$101,147), collection fees (\$35,720) and employee future benefits (\$20,800).

D. Employee future benefits

Employee future benefits have been recalculated under IAS 19, Employee benefits. This recalculation has increased the liability for employee future benefits by \$114,000 and has increased administrative expenses by \$20,800.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

15. First time adoption of IFRS (cont'd)

Statement of Operations Year ended December 31	Opening 2010 Canadian GAAP	Restatements	Notes	IFRS 2010
Revenues				
Current assessments	\$ 32,053,442	\$ (145,830)	A	\$ 31,907,612
Self-insured employers	783,276	-		783,276
Investments	13,231,909	705,937	B	13,937,846
Interest on receivables	-	220,522	A	220,522
Recoverable administration fees and interest charges to self-insured employers	253,981	-		253,981
	<u>46,322,608</u>	<u>780,629</u>		<u>47,103,237</u>
Expenses				
Claims cost expenses				
Expected increase	9,674,000	-		9,674,000
Changes in actuarial assumptions and methodology	936,000	-		936,000
Experience (gains) losses	(3,804,000)	-		(3,804,000)
Claims and administrative costs incurred	17,093,000	-		17,093,000
Other experience gains	(957,342)	-		(957,342)
Claims costs incurred for self-insured employers	783,276	-		783,276
	<u>23,724,934</u>	<u>-</u>		<u>23,724,934</u>
Administration expenses				
Administration	6,835,883	111,748	C	6,947,631
Workers' Advisor Program	141,083	-		141,083
Employers' Advisor Program	133,862	-		133,862
Appeals Tribunal	171,726	-		171,726
	<u>7,282,554</u>	<u>111,748</u>		<u>7,394,302</u>
Other expenses				
Investment management expenses	-	604,790	B	604,790
Bad debt expense	-	38,972	A	38,972
	<u>-</u>	<u>643,762</u>		<u>643,762</u>
Total expenses	<u>31,007,488</u>	<u>755,510</u>		<u>31,762,998</u>
Excess of revenues over expenses	<u>\$ 15,315,120</u>	<u>\$ 25,119</u>		<u>\$ 15,340,239</u>
Fund balance, beginning of year	<u>\$ 4,862,828</u>	<u>\$ (370,519)</u>		<u>\$ 4,492,309</u>
Excess of revenues over expenses	<u>15,315,120</u>	<u>25,119</u>		<u>15,340,239</u>
Fund balance, end of year	<u>\$ 20,177,948</u>	<u>\$ (345,400)</u>		<u>\$ 19,832,548</u>

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2011

15. First time adoption of IFRS (cont'd)

Statement of Financial Position

Year ended December 31, 2009	Opening 2009 Canadian GAAP	Restatements	Notes	January 1, 2010 IFRS
Assets				
Cash and cash equivalents	\$ 6,052,597	\$ -		\$ 6,052,597
Receivables	1,478,892	-		1,478,892
Investments	122,059,282	-		122,059,282
Capital assets	2,287,285	(562,916)	C	1,724,369
Intangible assets	1,984,089	286,249	C	2,270,338
	<u>\$ 133,862,145</u>	<u>\$ (276,667)</u>		<u>\$ 133,585,478</u>

Liabilities and fund balance

Payables and accruals	\$ 1,059,169	\$ -		\$ 1,059,169
Employee future benefits	802,800	93,200	D	896,000
Benefits liabilities	<u>127,138,000</u>	<u>-</u>		<u>127,138,000</u>
	128,999,969	93,200		129,093,169
Fund balance (unfunded liability)	<u>4,862,176</u>	<u>(369,867)</u>		<u>4,492,309</u>
	<u>\$ 133,862,145</u>	<u>\$ (276,667)</u>		<u>\$ 133,585,478</u>

Year ended December 31, 2010	Opening 2010 Canadian GAAP	Restatements	Notes	IFRS 2010
Assets				
Cash and cash equivalents	\$ 9,002,574	\$ -		\$ 9,002,574
Receivables	1,034,017	-		1,034,017
Investments	152,393,484	-		152,393,484
Capital assets	2,185,243	(566,241)	C	1,619,002
Intangible assets	1,915,960	334,841	C	2,250,801
	<u>\$ 166,531,278</u>	<u>\$ (231,400)</u>		<u>\$ 166,299,878</u>

Liabilities and fund balance

Payables and accruals	\$ 1,890,730	\$ -		\$ 1,890,730
Employee future benefits	901,600	114,000	D	1,015,600
Benefits liabilities	<u>143,561,000</u>	<u>-</u>		<u>143,561,000</u>
	146,353,330	114,000		146,467,330
Fund balance (unfunded liability)	<u>20,177,948</u>	<u>(345,400)</u>		<u>19,832,548</u>
	<u>\$ 166,531,278</u>	<u>\$ (231,400)</u>		<u>\$ 166,299,878</u>

Workers Compensation Board of Prince Edward Island

Schedule of administration expenses

Year ended December 31	2011	2010
Building operating costs	\$ 158,441	\$ 169,522
Communications, printing and office supplies	181,594	212,922
Computer maintenance	295,506	250,224
Depreciation	548,560	534,814
Dues and fees	66,827	53,845
Interest and bank charges	120,698	101,147
Miscellaneous	44,519	38,687
Postage	75,059	93,219
Professional development	69,896	60,719
Professional fees	821,606	1,028,055
Salaries		
Board members	96,129	108,495
Staff members	4,619,092	4,279,043
Benefits	730,397	731,435
Retirement benefits (Note 10)	224,468	225,577
Telephone	83,581	81,125
Travel	222,915	196,802
	<u>8,359,288</u>	<u>8,165,631</u>
Less allocation to benefits liabilities (Note 11)	<u>(1,278,000)</u>	<u>(1,218,000)</u>
	<u>\$ 7,081,288</u>	<u>\$ 6,947,631</u>

External Reports





Workers Compensation Appeal Tribunal

Annual Activity Report 2011

Message from the Tribunal Chair

As has been the practice for the past number of years, I am pleased to present the Annual Activity Report of the Workers Compensation Appeal Tribunal (WCAT). This report outlines the activities for the period January 1 to December 31, 2011, and highlights both the successes and setbacks encountered during the year.

Operational trends this year are comparable to the last few. There were 15 new appeals filed; 1 court-ordered appeal; 9 decisions released; and 20 appeals withdrawn, abandoned or resolved before the hearing stage. The year-end caseload is 20, compared to 33 the previous year.

The fair, efficient, and timely processing of appeals remained a priority throughout the year. On average appeals were held within 63 days of the last documents being filed. Any scheduling delay was primarily the result of availability conflicts on the part of one or more of the participants.

One major setback WCAT encountered was in the area of decision release. Unfortunately, the 90-day timeline was met only once in 2011 compared to 64% of the time last year.

Similar to the previous year, there was only one Application for Leave to Appeal filed with the Court of Appeal. The Courts rendered 3 decisions: 1 regarding an application and 2 from hearings held the previous year. There remains 1 appeal awaiting hearing at the Court level.

The processes and efficiencies introduced last year as part of the 2009-2010 internal review, I believe, were meeting our objectives of protecting personal information and balancing the right of other parties in the appeal process. However, an investigation by the Information and Privacy Commission found WCAT to be in violation of the *Freedom of Information and Protection of Privacy (FOIPP) Act*, with respect to its process of providing copies of all documentation filed on an appeal to all parties with a direct interest in the appeal. An internal review is underway by WCAT to ensure that it complies with the provisions of the *FOIPP Act* while at the same time maintaining its statutory obligations under the *Workers Compensation Act* (the "Act") to provide all materials filed on an appeal to all parties with a direct interest in the appeal.

Our priority has been, and continues to be, a commitment to ensuring that all appeals receive full and fair consideration as we to strive to provide timely, fair and just decisions, and to do our best to serve the people of Prince Edward Island.

Respectfully submitted,

Wendy E. Reid, Q.C.
WCAT Chair

Guiding Principles

WCAT's operations are governed by the Workers Compensation Act (the "Act") which sets out the structure, jurisdiction, and the responsibilities and functions to be applied. As an administrative tribunal, WCAT seeks to provide quality adjudication on a fair and timely basis. WCAT's guiding principles include:

- an accessible appeal system for workers and employers;
- easy access to appeal process information;
- superior quality service for all stakeholders;
- independent and impartial decision making; and
- timely and efficient appeal processing and decision making.

Our Mandate

To review final decisions of the Workers Compensation Board to ensure compliance with the Act, regulations and policy.

Our Mission

To provide a timely, fair and independent appeal process consistent with the legislation and the rules of natural justice and to render decisions which are a fair reflection of the case.

Our Values

Respect: We treat people with dignity, respect, care and fairness.

Fairness: We are committed to ensuring all our actions are free of bias and prejudice.

Professionalism: We are committed to delivering the highest standard of quality services, ethics, honesty and accountability.

About the Tribunal

WCAT is the final level of appeal in the workers compensation structure in Prince Edward Island. It hears appeals from final decisions of the Internal Reconsideration Officer (IRO) of the Workers Compensation Board (WCB). Its role is to review WCB decisions to ensure they are in compliance with the Act, regulations and policy.

WCAT is legally and administratively separate from WCB, ensuring an independent and impartial review of WCB decisions. However, it is bound by the Act, regulations and policy.

Members are appointed by, and at the pleasure of, the Lieutenant Governor in Council pursuant to Section 56(7) of the Act. The Act states membership is to consist of a chairperson, one or more vice-chairpersons, and as many members, equal in number, representative of employers and workers respectively. All members are part-time and are assigned hearings on a rotational basis.

In May 2011 a vacancy was filled with the appointment of Nyall Lambe. Unfortunately, Mr. Lambe passed away before ever sitting on a panel, once again leaving an employer representative vacancy. Sitting members include:

Chairperson

Wendy E. Reid, Q.C.

Vice-Chairperson

Jordan K.M. Brown

Vice-Chairperson

John L. Ramsay, Q.C.

Employer Representatives

Don Cudmore	Harvey MacKinnon
Scott Dawson	Donald Turner
Ray Hann	Nyall Lambe (deceased)
Stu Lavers	

Worker Representatives

Leo Cheverie	Neil MacFadyen
Nancy FitzGerald	Elizabeth (Libba) Mobbs
Bruce Gallant	Gary Paynter
Gordon Huestis	

Appeals are heard by a panel of three consisting of the chair or one of the vice chairs, a member representing worker interests, and one representing employer interests. Hearings are held in either Charlottetown or Summerside and are conducted in accordance with the rules of natural justice and procedural fairness. Simply put, the guidelines of natural justice are the minimum standards of fair decision making and consist of the following elements:

- **The Hearing Rule** This is the requirement that a person has a right to a fair hearing. This involves notification; the opportunity to be heard; the conduct of the hearing; and, the right to representation.
- **The Bias Rule** This is the requirement that the decision-maker must act without bias in all procedures connected with the making of the decision. A decision-maker must be impartial and must make a decision based on a balanced consideration of the information and evidence before them.
- **The Evidence Rule** This rule is that an administrative decision must be based upon logical proof or evidence materials. The decision-maker must be able to clearly point to the evidence on which the determination was made.

WCAT is a non-adversarial enquiry forum where parties with a direct interest (the worker, the employer at the date of the accident, WCB, and any designated representative) are given an equal opportunity to present their case. An appeal panel can ask questions or obtain additional information for clarity purposes, but they cannot hear any new evidence which has not been considered by the IRO when making her decision. Should new evidence be presented, WCAT is obligated to return the matter to WCB.

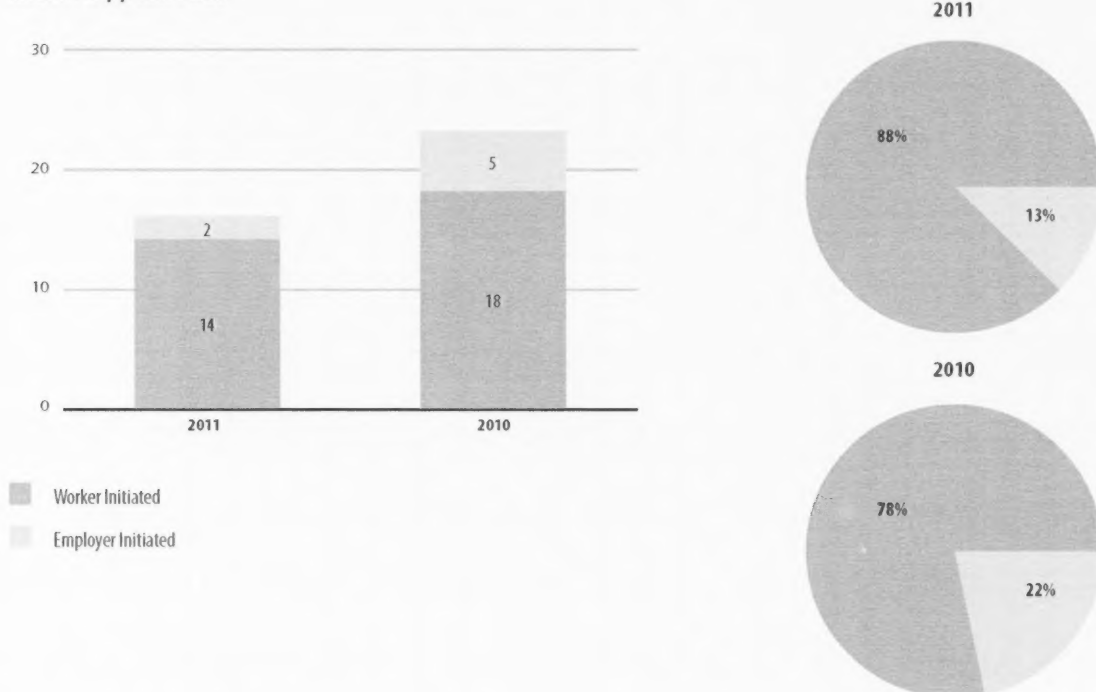
Caseload Activity Overview

Caseload inventory is affected by numerous factors including the number of cases carried over from the previous year; new appeals filed; appeals withdrawn; and, decisions released. A case remains active until the final decision is released. The year-end inventory stands at 20: 3 ready for hearing; 3 awaiting discovery filings; 7 pending decisions; and 7 returned to WCB for possible new evidence.

Appeals Filed

The number of appeals filed in 2011 was down marginally from the previous year, but comparable to the trends in previous years, with the exception of 2009 which saw a significant spike. A total of 16 appeals were filed: 13 new worker appeals; 1 court-ordered worker appeal; and 2 employer appeals. This compares to 23 last year. Similar to previous years, the majority (88%) of appeals were filed by injured workers.

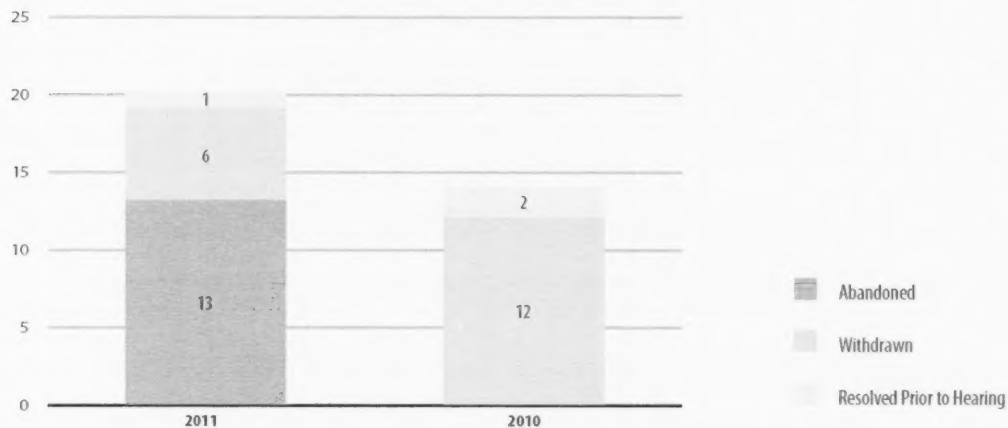
Chart 1: Appeals Filed



Appeals Withdrawn

Twenty (20) files were closed without hearing in 2011. Of these, 6 were withdrawn by the appellant; 1 was resolved at WCB; and the remaining 13 deemed abandoned due to inactivity on the part of the appellant. The primary reason for appeals being withdrawn is that new medical information, which WCAT is prohibited from hearing, was received on the appellant's claim file after the date of the IRO decision. However, many of these do find their way back to WCAT at a later date once a new WCB decision is issued.

Chart 2: Cases Withdrawn or Abandoned

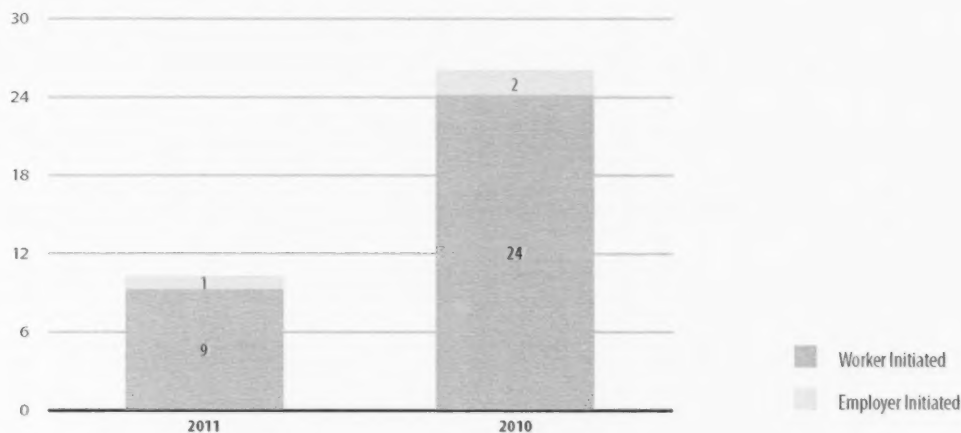


Hearings

Oral hearings are the normal mode for appeals. Hearings are scheduled as soon as possible following receipt of written arguments and submissions from all participating parties. In 2011, it took an average of 63 days for hearings to be scheduled. Delays in scheduling were generally the result of conflicting availability on the part of one or more of the participants.

The decrease in appeals filed and the increase in the appeals withdrawn, of course, was a correlating factor in the number of hearings held. There were only 10 hearings held in 2011, compared to 26 in 2010.

Chart 3: Hearings



Representation

All participants appearing before WCAT may choose to be represented by another person (Worker Advisor, Employer Advisor, lawyer, friend, union rep, or other individual). Over the past few years there has been a marked increase in representation. In fact, with the exception of one hearing, during 2011 the Worker Advisor appeared at all hearings, including the employer initiated appeal hearing. The Employer Advisor appeared on behalf of the employer at the only employer initiated hearing.

Year	Worker Initiated Appeals					Employer Initiated Appeals				
	Self	Worker Advisor	Personal Rep	Legal Counsel	Did not Appear	Self	Employer Advisor	Personal Rep	Legal Counsel	Did not Appear
2011	1	8	0	0	0	0	1	0	0	1
2010	6	17	0	1	0	0	2	0	0	0

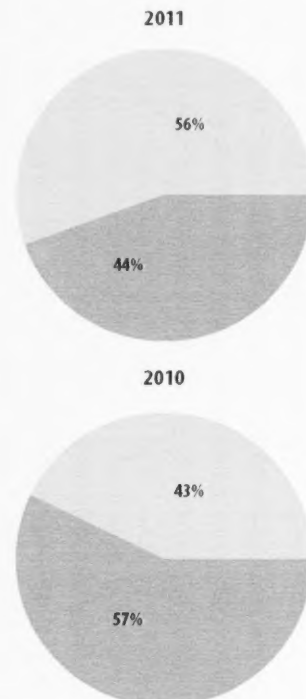
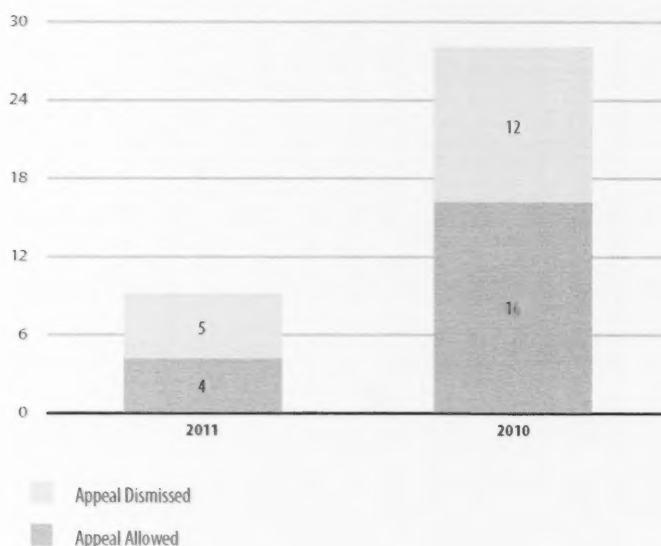
Note: In most worker appeals, the employer is seldom present, despite being invited to do so. Similarly, in employer initiated appeals pertaining to compensation the worker generally chooses not to participate. Workers are not invited to participate in assessment appeals.

Decisions

Numerous factors must be considered when comparing the number of decisions rendered and the number of hearings held. For example, there are instances where an appellant will table new evidence at a hearing and the matter is referred back to WCB without a written decision being rendered. Another example is the instance of multiple appeals being heard at once, but only one decision rendered. A third could simply be timing in that an appeal is heard one year but the decision not rendered until the following year.

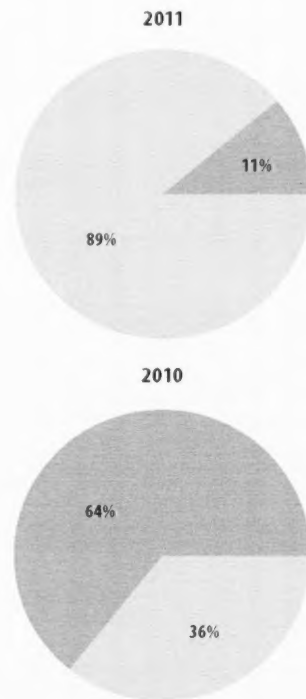
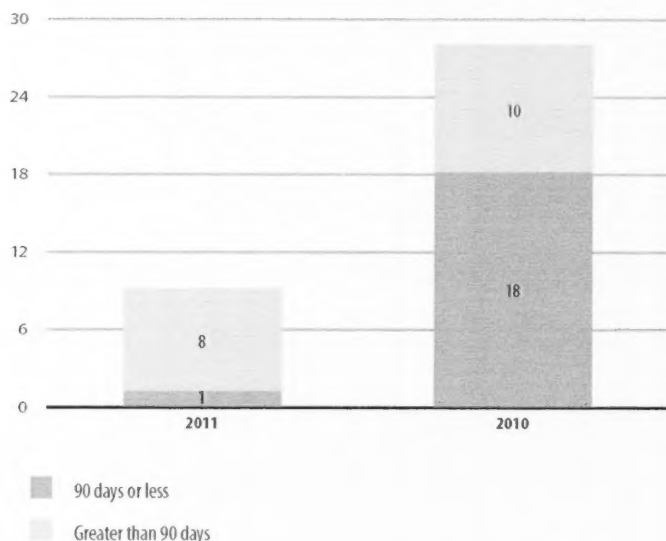
The Act states, "on hearing an appeal, the Appeal Tribunal may confirm, vary or reverse the decision appealed from and shall, on the written request of a person with a direct interest in the matter, provide a written summary of its reasons within 90 days of the completion of the hearing." During 2011, 5 appeals (56%) were dismissed while 4 (44%) were allowed. This compares to 43% dismissed and 57% allowed in 2010.

Chart 4: Decision Outcome



While there has been some controversy whether or not a decision must be released in 90 if no written request was received, WCAT does strive to meet that deadline. Statistics show the average time to issue its decision was 104 days, down slightly from last year's average of 109 days. However, while the overall average time improved, only 1 decision was released within the 90 day timeline, a marked decrease from last year when 64% of the decisions were released in 90 days or less. WCAT will implement improved processes to more tightly monitor and improve compliance with this timeline. At year end there were 7 appeals awaiting decisions.

Chart 5: Decision Times



The public can access WCAT decisions on our website at www.gov.pe.ca/go/wcat. Decisions made available on the website are written to protect the privacy of all parties.

Freedom of Information and Protection of Privacy

The basic objectives of the *Freedom of Information and Protection of Privacy Act* are to ensure that public bodies are open and accountable to the public by providing a right of access to records and by protecting the personal privacy of individuals. WCAT falls within the definition of public body in the *FOIPP Act* and therefore compliance is required. No *FOIPP* requests were received in 2011.

WCAT strives to ensure privacy of appellants while at the same time ensuring all parties in the process provide and receive appropriate and sufficient disclosure. WCAT is an evidence based documentary appeal process and relies on submissions from participating parties. WCAT is required to distribute filings as received.

Since appeal documents and WCAT decisions often contain personal and business information, particularly medical information, hearings are not open to the public. Paper copies of the decisions are provided to the worker, WCB, and the employer, and after severing personal information which could identify the appellant, the decision is posted to our website.

Despite the process in place, WCB was found to be in violation of the *FOIPP Act* following an investigation of a privacy complaint filed against WCB in 2008. As part of the investigation, the Information and Privacy Commissioner concluded that WCB was an affected party to the investigation and solicited our input. The primary issue under review was whether or not WCB and/or WCAT improperly disclosed personal information to the date of accident employer. The Commissioner released an order in 2011 finding both public bodies violated the *FOIPP Act*. Notwithstanding the fact that WCAT felt it was complying with section 17 of the *Act* where it is bound by and shall fully implement the policies of WCB, the Information and Privacy Commissioner, specifically ruled that WCAT was in violation of the *FOIPP Act* when it provided the Appeal Record and Factum to the accident employer.

Appeals from Tribunal Decisions

The Tribunal is the final decision-maker in the workers compensation process on Prince Edward Island. All decisions are final and binding. However, Section 56(2) of the *Act* allows a participant who disagrees with a WCAT decision to ask the P.E.I. Court of Appeal to hear an appeal of the decision. Such an appeal must be filed with the Court within 30 days of the tribunal's decision. The Court of Appeal can only allow an appeal if it finds an error in law or jurisdiction.

This is a two step process. First, the person bringing the appeal must seek the Court's permission to hear the appeal. This is called seeking "leave to appeal". The Court may decide that the appeal should not succeed and deny or refuse leave, and that is the end of the appeal process. Second, where the Court is of the view that the appeal could succeed leave is granted, and after relevant documents are filed and served on the participating parties, a hearing is scheduled.

There was 1 leave application filed with the Court of Appeal in 2011. The Court rendered its decision on that application, as well as rendered decisions on two hearings held the previous year.

MacMaster v. Workers' Compensation WCB (PEI) 2011 PECA 11

The worker sought leave to appeal from WCAT Decision #148, dated February 1, 2011. The worker submitted WCAT erred in law in its interpretation of the *Act* and the policies issued pursuant to that legislation relating to calculating wage loss benefits. He submitted WCAT erred by using the results of a functional capacity evaluation retroactively for the purpose of determining loss of earning capacity, and also erred in law by failing to give him the benefit of doubt.

The Court of Appeal granted leave on the issue of whether WCAT erred in law when it failed to direct the WCB to pay full wage loss benefits from the original date that benefits were awarded until such time as a second deeming process was carried out, which the worker argued was when the results of the 2008 functional capacity evaluation were identified. Leave was denied on all other issues raised by the Notice of Appeal. A hearing is scheduled for March 21, 2012.

Workers' Comp. Bd. (PEI) v. Cormier 2011 PECA 1

WCB, appealed from WCAT Decision #70, dated November 9, 2009, which awarded benefits to the worker. WCB argued that WCAT applied the wrong standard of review to the decision of the WCB, based its decision on perverse findings, considered new evidence, gave the benefit of the doubt to the worker, prejudged the appeal and made unfounded findings of bias. Leave was granted only on the ground that the WCB was denied procedural fairness due to an allegation of bias by WCAT against the IRO and/or medical advisor.

On January 7, 2011, the Court of Appeal issued their decision. It allowed the appeal by WCB and determined that a statement contained in WCAT's Decision #70 demonstrated a reasonable apprehension of bias. As a result, the decision rendered by WCAT was declared void and the matter was remitted back to WCAT to be reheard by a panel comprised of three new panel members.

Workers' Comp. Bd. (PEI) v. Mullen 2011 PECA 10

WCB appealed from WCAT Decision #121 dated March 12, 2010, that set aside a decision of the IRO and directed that the matter of the worker's temporary wage loss benefits be returned to for recalculation. Leave was granted on the issues of bias and proper calculation of the worker's wage loss benefits.

On June 17, 2011, the Court of Appeal issued their decision. It dismissed WCB's appeal on the ground of bias indicating there was nothing to show WCAT conducted an analysis with prejudgement nor that the impugned statements would lead to the view of a reasonable apprehension of bias. With respect to the wage calculation issue, the Court concluded that WCAT's decision was based on an error of law, and that the WCB's calculation was appropriate. The Court restored the WCB's decision and directed the appeal process be concluded.

Training and Development

The chair, vice chairs and coordinator continue membership in the Canadian Council of Administrative Tribunals (CCAT). One of the vice chairs and coordinator attended CCAT's Annual Conference held from June 5 to 7, 2011, in Ottawa, Ontario.

As the sole employee, the coordinator also participated in continuing education opportunities in the areas of FIS Oracle; writing briefing notes; FOIPP; web content administration; and, attended WCB's Annual Report to Stakeholders presentation.



Office of the Employer Advisor

2011 Report

This Annual Report highlights the accomplishments of the Office of the Employer Advisor for the year ending December 31, 2011, and is presented in accordance with its legislated mandate.

About the Office of the Employer Advisor

The legislative authority for the Office of the Employer Advisor is contained in Section 85.1(b) of the *Workers Compensation Act* and it became operational on February 16, 2004. The mandate is to assist PEI employers and employer associations with the statutory interpretation, application and administration of both the *Workers Compensation Act* and the *Occupational Health and Safety Act*, as well as policies, procedures and practices of the Workers Compensation Board of PEI. The Employer Advisor provides independent advice and assistance in the areas of claims management, classifications and assessments, workplace health and safety and appeals. Services available from the Office of the Employer Advisor include education and training, assistance and representation during the appeal process, research and analysis along with information sharing. Operational funding is provided to the Department of Community Services, Seniors and Labour (changing to the Department of Environment, Labour and Justice effective November 15, 2011) by the Workers Compensation Board of PEI through employer assessments levied by the board. There are no fees charged for our services and the Office operates independently of both the provincial government and the board. This year saw the retirement of Keith Mullins from the position of Employer Advisor, and the appointment of Patricia McPhail to take over the role.

WCB Related Activity

All Workers Compensation Board policies under review and draft policies available for public consultation were reviewed by the Employer Advisor. Feedback from the employer perspective was provided throughout the year for the policies under review and the draft policies put forward by the WCB.

The Office of the Employer Advisor represented a number of Island employers in the preparation and presentation of their appeals to both the Internal Reconsideration Officer (IRO) and Workers Compensation Appeal Tribunal (WCAT). The Employer Advisor was involved with six IRO file reviews and two WCAT oral hearings. During the year twenty-one new files were opened and dealt with claims acceptance and costs, return-to-work issues, appeal procedures, apportionment, new evidence matters, third party claims, calculation of temporary and extended earnings loss benefits, registration of businesses and the new employer classification system. In addition numerous inquiries were handled from individual employers and employer associations on various aspects of both the *Workers Compensation Act* and the *Occupational Health and Safety Act* as well as board policies, procedures and practices.

The Office of the Employer Advisor participated quarterly in teleconference calls with the other four members of the Canadian Association of Employer Advisors / Advocates. The Office of the Employer Advisor was represented at a number of WCB-related public events including the 2011 WCB Annual Report presentation, the National Day of Mourning Ceremony and the presentation of the Safety Champion of the Year Award during the North American Occupational Safety and Health Week. The Employer Advisor also attended the Association of Workers Compensation Boards of Canada Learning Symposium held during the last week of September in Edmonton, Alberta.

Communications

During the year twelve monthly issues of *The Employer Advisor* electronic newsletter were produced and circulated via the internet to employers and their management staff, employer associations, public sector managers, and other interested parties. The Office of the Employer Advisor website at www.gov.pe.ca/go/bea continues to offer archived copies of our newsletter as well as current information and up-to-date forms on WCB and OH&S matters and links to relevant sites of interest.

Respectfully submitted,

Patricia H. McPhail
Employer Advisor



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**Promoting safe workplaces
Protecting Island workers and employers**

Workers Compensation Board of Prince Edward Island

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